

**State of Utah**

**2005**

**Olene Walker**

**Housing Loan Fund**

**Allocation Plan**

(Adopted March 2005)

# **STATE OF UTAH OLENE WALKER HOUSING LOAN FUND ALLOCATION PLAN**

## **MISSION STATEMENT**

Support quality affordable housing options that meet the needs of Utah's individuals and families, while maximizing all resources.

## **VISION STATEMENT**

We promote all aspects of the development of quality, affordable housing for all people, so they can contribute their personal attributes to community health by:

- Investing in quality projects that are conceptually and financially sound, and maximize the leveraging of resources.
- Working in partnership with community-focused organizations to provide opportunities for people to improve their quality of life.
- Upholding high ethical standards, as defined by the state of Utah, in all of our funding reviews and decisions.
- Educating individuals, families and communities throughout the state about housing resources and information.

## **INTRODUCTION**

The State of Utah Department of Community and Economic Development, Division of Community Development (DHCD), is the designated administrator of the Olene Walker Housing Loan Fund (OWHLF) for the State of Utah under Utah Code Annotated Section 9-4-703 through 708, (the Code), and all regulations promulgated thereunder.

The objective of the OWHLF is to develop housing that is affordable to very low, low and moderate-income persons.

To efficiently administer the OWHLF Program and to effectively allocate its limited Funds to those projects, which best serve, the needs of the State of Utah, the OWHLF Board (Board) has developed this allocation plan.

The Board is authorized and required by the Utah Code to establish criteria and procedures for allocating these funds and to incorporate them into an Allocation Plan.

This 2005 Allocation Plan (Plan) will be in effect for the 2005 calendar year.

**Part 1: Administration Procedures:** Sets forth the procedures, processes, and other pertinent information regarding the preparation, submission and processing of the following types of Applications:

**Part 2: Multi-Family:** Five (5) or more units generating income and all Crown units.

**Non-Rental Special Needs:** Shelters, group homes, and transitional housing that do not generate income.

**Four-Plex or less with rental income:** One (1) to Four (4) units.

**Compliance Monitoring:** Record keeping and retention requirements, certification review, and inspection requirements.

**Part 3: Single Family:** Rehabilitation and Reconstruction, Home Ownership Development, HomeChoice, and Down Payment Assistance.

**Part 4: Pre-Development:** Non-recourse loans for project development preceding permanent/construction financing.

**Part 5: Owner Occupied Development, HomeChoice and Down Payment Assistance:** Single family subdivisions and infill, homeowner financial assistance and mortgage assistance for persons with disabilities.

## **PURPOSE AND GOALS**

The OWHLF provides a fair and competitive process to stimulate the creation and preservation of housing by promoting projects that:

- Through cost containment and resource leveraging, efficiently utilize funds.
- Restrict the greatest number of units to the lowest possible rents for the longest period of time.
- Achieve equitable geographic distribution of resources.
- Provide housing for special needs populations including: transitional housing, elderly and frail elderly, and the physically and mentally disabled.
- Strengthen and expand the abilities of local governments, non-profits, Community Housing Development Organizations (CHDO) to design and implement strategies to create affordable housing.
- Promote partnerships among local government, non-profits, CHDO and for-profits.

**State of Utah**

**2005**

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**Housing Loan Fund**

**Part I**

**Administrative**

**Procedures**

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# **ADMINISTRATIVE PROCEDURES**

## **1. APPLICATION PROCESSING - GENERAL**

The OWHLF Board intends this Allocation Plan to be used by the DHCD staff assembling, reviewing, qualifying, and nominating projects to the Board for approval. Applications for OWHLF monies will be required to meet the guidelines of the 2005 Allocation Plan.

Applications will be submitted, inclusive of all EXHIBITS and attachments as defined in the applications, in **duplicate** along with a digital copy in Microsoft Excel 5.0–97 SR-2 format. Incomplete applications will not be processed. Applications, once submitted, are considered final for review.

Applications must be mailed or delivered to:

**State of Utah-DHCD**

**Housing**

**324 South State Street, Suite 500**

**Salt Lake City, Utah 84111**

Upon completing the review of all applications, committees of the OWHLF will recommend funding to the Board at the level they determine is necessary for the financial feasibility of the project. The Board will make final allocation decisions.

Every applicant has an obligation to notify the DHCD staff (hereafter referred to as staff), of any new or additional federal, state or local subsidies utilized by a project.

The Board reserves the right to reduce the fund allocation if it determines the project to be over-subsidized.

The Board may reject or discount at its sole discretion, an application from participants who have failed to honor contracts.

The Board reserves the right to reject any application or impose additional conditions.

## **2. OTHER CONDITIONS AND DISCLAIMERS:**

The Allocation Plan will be amended on an annual basis regulations are issued or as the Board deems necessary to carry out the goals of the OWHLF.

No member, officer, agent or employee of the Board nor any other official of the State of Utah, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relations to the OWHLF Allocation or administration of this plan.

## **3. FUNDING CYCLES**

Applications will be considered for funding according to the 2005 Reservation Cycles as referenced in the applications.

## **4. DELINQUENT LOANS AND CLOSEOUT REPORTS**

- a New applications will not be accepted from any applicant, owner, affiliate, or principals with financial interest, who are currently delinquent on any loans with the OWHLF or have not submitted requested closeout reports to the OWHLF staff.

## 5. FUNDING SET-ASIDES

The Board has established the following set-asides:

### A. Community Housing Development Organization (CHDO):

The Board will set-aside at least 15 percent of the HOME funding for qualified CHDO's.

A project sponsor that applies for funds under CHDO status must be an official CHDO. Please refer to the CHDO Qualification Checklist **EXHIBIT L**.

### B. Rural /Targeted Areas Set-Asides:

For the development of affordable rental housing in rural areas of Utah, the Board will set aside at least 20 percent of the overall funding available for projects located in those "Designated Areas" (**EXHIBIT C**) of the State adapted from the U.S. Department of Agriculture Rural Development Service (RD) and the State of Utah Consolidated Plan. Unallocated funds shall revert to the general pool.

### C. Special Needs Set-Asides:

At least 15 percent of the overall funds will be set-aside for special needs housing defined as: Elderly, Frail Elderly, Mentally and Physically Disabled, Homeless, Persons with Aids, and Transitional Housing.

### D. Pre-development Set-Asides:

A maximum of \$140,000 will be set-aside annually, for costs incurred in the pre-development phase of projects. Single projects are limited to \$20,000.

### E. Single Family Set-Asides:

The Board will set aside funds to be used for those purposes as described below as necessary to meet the Consolidated Plan.

<b>Sub set-asides:</b>	<b><u>Budget</u></b>
1. Single Family Rehabilitation, Acquisition Replacement and Refinance	\$1,290,000
2. Down Payment/Closing Cost Assistance	\$ 285,000
3. Home Choice	\$ 952,000
4. Rural Development Self Help	\$ 953,000
5. State Match for other federal grants	\$ 50,000



6. Marketing	\$ 50,000
7. IDA Accounts	\$ 20,000

**F. Grant Set-Asides:**

A set-aside of 5 percent of the overall funds shall be made available as grants to qualified projects. At least 90 percent of the funds used as grants shall benefit persons or families whose income is at or below 50 percent of the median family income.

**G. Capacity Building Collaborative Set-Aside:**

The OWHLF Board hereby creates a set-aside of funds for the purpose of continuing the collaboration of agencies and funding sources with the intent of assisting CHDO's and other non-profit housing authorities and providers to increase their capacity to produce multi-family rental properties in both urban and rural locations throughout the State of Utah. The assistance provided will include both financial and technical assistance. For the 2005 program year the set-aside to be funded out of the resources of the OWHLF is \$209,000.

**6. ALLOCATION PRIORITIES**

**A. Statutory Priorities**

The State of Utah Code annotated Section 9-4-703 through 708, sets forth selection criteria to be used to determine housing priorities that demonstrate:

- A high degree of leverage with other sources of financing;
- High recipient contributions to total project costs, including allied contributions from other sources such as professional, craft and trade services, and lender interest rate subsidies;
- High local government project contributions in the form of infrastructure improvements, or other assistance;
- Projects that encourage ownership, management, and other project-related responsibility opportunities;
- Projects that demonstrate a strong probability of serving the original target group or income level for a period of at least 15 years;
- Projects where the applicant has demonstrated the ability, stability, and resources to complete the project;
- Projects that appear to serve the greatest need;
- Projects that provide housing for persons and families with the lowest income;
- Projects that promote economic development benefits;
- Projects that allow integration into a local government housing plan; and
- Projects that would mitigate or correct existing health, safety, or welfare problems.

**B. The Department of Housing and Urban Development (HUD) mandated 2005 year Consolidated Plan created the following Priorities**

Through direct inquiry of housing service providers, state and local consolidated plans, and input from the public, the following housing needs were identified:

- Creation of safe and affordable multi-family rental housing for very-low and low-income households, especially large unit properties;
- Creating accessible housing for persons with physical disabilities;
- Affordable housing for low-income households with members who have mental disabilities;
- Preservation and improvement of existing single-family affordable housing through rehabilitation and replacement when necessary, emergency home repair and lead based paint removal;
- Create housing solutions to implement the “10 Year Plan for the Elimination of Chronic Homelessness” and provide housing for other homeless or persons at risk of becoming homeless;
- Insure adequate housing for persons and families with special needs;
- Increase homeownership opportunities for lower income families;
- Provide for housing planning and development technical assistance and training for local non-profit housing providers.

### **C. OWHLF Board Priorities**

In conjunction with the housing needs identified above, the Board has established the following priorities:

- Housing that remains affordable for the greatest number of years;
- Creating housing affordable to households that are low and very-low income;
- Rehabilitating existing housing stock for tenants at the same or less than current rents;
- Increasing housing stock in rural and under-served communities;
- Providing affordable housing to special needs populations including: homeless, elderly and frail elderly, mentally and physically disabled, and large families;
- Projects that give the residents a home ownership opportunity at some time in the future;
- Projects that incorporate unrestricted units and rent restricted units;
- Leveraging of OWHLF with other public and private financial resources.
- Projects that create “Mixed income” multi-family rental housing projects that combine subsidized, affordable rental units with market rate units when it is determined that the assistance is clearly creating affordable rents.

**INSERT ALL APPLICATIONS HERE**

## SAFE HARBOR SCHEDULE

2005 Applications will be underwritten with the following Safe Harbors.

### Financing Safe Harbors

#### **Debt Service Coverage Ratio\*:**

Hard debt: minimum 1.10:1 maximum 1.25:1

\* The DCR can be higher in cases where the debt structure and low income targeting produce a distorted ratio.

#### **Financing Terms:**

Publicly funded debt: prevailing terms of funding agency.  
Privately funded debt: All new loans shall amortize over no less than 25 years.

### Operating Safe Harbors

#### **Operating Expenses:\***

#### **Minimums**

#### **Vintage Urban Walkup**

#### **All Other Types**

Studio & SRO	\$1,700	\$1,900
1 bedroom	\$1,800	\$2,000
2 bedroom	\$2,000	\$2,200
3 bedroom	\$2,150	\$2,350
4 bedroom	\$2,500	

- \* Excludes capital replacement reserves and taxes. Assumes tenants pays electrical and gas utilities and owner pays typical municipal fees. Deviations from the Safe Harbor must be supported in writing by the investor and lender.
- \* The application will be updated to calculate a blended minimum based on the unit mix.

#### **Cash Flow:**

Minimum annual cash flow per unit:

- a. 25 or fewer units \$350
- b. Over 25 units
  - 1 bedroom or smaller \$300
  - 2 bedroom units \$325
  - 3 bedrooms or larger \$350

Net Operating Income cannot exceed \$750 per unit per annum in 100% LIHTC projects or \$1,000 in tax exempt bond or mixed income projects.<sup>1</sup>

#### **Capital Replacement Reserves<sup>1</sup> :**

Replacement Reserve Minimum per unit annually unless funded at closing:

Rehabilitation Projects	\$300
Other Projects	\$225

#### **Vacancy<sup>1</sup>:**

The greater of 7% or the market study on all except preservation and special needs projects.

Preservation and special needs projects may be 5% or greater.

Projects of greater than 25 units:	minimum 7%	maximum 10%
Projects of 25 or less units:	minimum 7%	maximum 12%

## EXHIBIT B Continued

<sup>1</sup> The DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions are made for RD 515 and Section 8 HAP contracts that have the potential for annual contract adjustments. Applications below the minimums for these criteria will not proceed beyond the threshold review. These categories are threshold underwriting criteria.

### **Rehabilitation Safe Harbors**

The following ranges represent rehab costs applicable to age of building(s).

Age of Building(s)	Ranges of Cost Per Unit
Pre 1940	\$25,000 - \$30,000
1940 – 1960	\$16,000 - \$25,000
1970 – 1990	\$12,000 - \$16,000
1990 or newer	\$7,500 - \$12,000

Rehabilitation costs outside these ranges should be discussed with DHCD staff before submitting an application.

The two major factors in determining the Scope of Work are, first the age of the property and secondly, the desired standard of the completed job. It stands to reason that a property constructed in the 1920's will often require total gutting and rehabilitation of all major systems, while a property built to modern code standards after 1970 might require only minimal renovation depending on updates to various systems.

Because LIHTC projects admittedly have lower-than-market cash flow available for ongoing maintenance, it is of primary importance that developers minimize the risk of future high capital maintenance liabilities. Therefore, it is imperative that the developers not enter into a project that will just resolve some, but not all, of the major deficiencies of the subject property. To do so would be to the detriment of all parties involved, not just the prospective residents.

Rehabilitating inner-city properties that are about 80-years old generally need to be totally gutted. Usually the apartment layouts are undesirable by today's standards. Floor plans must be rearranged, windows replaced, rotted structure repaired, floors leveled, new kitchens and bathrooms, new roofs, and of course all plumbing, mechanical and electrical systems installed "from scratch." Obviously, all new finishes must be installed. Expected rehabilitation cost range: \$25,000-to-\$30,000 per unit.

Properties built after WWII, but before 1970 generally have good floor plan layouts, but their mechanical and electrical systems are usually antiquated and inadequate. Kitchens and bathrooms, as well all finishes have exceeded their useful lives. It is possible refurbish and adapt the existing cast-iron soil stacks and heating distribution piping, but it usually requires the replacement of all water distribution piping, and upgrading of electric service and distribution wiring. Windows must be replaced because they usually are not double-glazed. Concerns about environmental pollutants are not limited to lead-based paints, but include asbestos, mold and now radon. To help assure a competitive project, developers should consider providing new air conditioning, disposals, dishwashers and laundry facilities. Because of the wide range of conditions found in properties in this category, rehabilitation costs generally range from \$16,000-to-\$25,000.

Properties built after 1970 fall under the jurisdiction of modern building codes. Apartment layouts and public facilities are usually good. These projects generally are free from lead-based paint or other contaminants. Market imperatives minimally require redecoration of all finishes and the upgrading of kitchens. Prudence will usually dictate the replacement of mechanical equipment with state-of-the-art energy-efficient systems. (Not to change out a thirty year old 50% efficient furnace now, when there is an opportunity to do that, is bad economics.) Projects in this category have rehabilitation costs in the range of \$12,000-to-\$16,000 per unit.

**STATE OF UTAH**  
**OLENE WALKER HOUSING LOAN FUND**  
**RURAL TARGETED AREAS**

Bear River Region

Lewiston, Garland, Richmond, Randolph, Woodruff

Uintah Basin Region

Vernal, Duchesne, Roosevelt, Myton, Ballard, Manila

Southeastern Region

Blanding, Price, Helper, Green River, Moab, Clawson, Ferron, Emery Town, Elmo

Six-County Region

Manti, Ephraim, Mt. Pleasant, Spring City, Moroni, Marysvale, Junction, Kingston, Loa, Torry, Bicknell, Hanksville

Mountainlands

Santaquin, Heber, Coalville, Kamas, Park City, Wallsberg, Charleston

Wasatch Front Region

Morgan, Tooele, Grantsville, Wendover

Five-County Region

LaVerkin, Ivins, Tropic, Escalante, Panquitch, Hatch, Cannonville

## **STATE OF UTAH**

### **MARKET STUDY INSTRUCTIONS**

**I. Market Study Checklist and Certification Of Independence**

- Fill out the Checklist with page numbers from the report that cover each item at the beginning of the report.
- Sign the bottom of the Checklist to certify that the Market Study was performed independently and without influence by the applicant.

**II. Market Study Summary**

- Create a summary of each checklist item. It is not uncommon for analysts to dedicate a separate page for each discussion summary item or have two summary items per page. This summary should come after the Checklist and precede the main body of the market study.
- Or the summary discussions can be integrated into the report. Begin each section of the report with the checklist item and its summary, and provide the back-up discussion and data immediately following to make complete sections.

**III. Market Study Company Information**

- Attach the Market Study Company Information sheet to the Market Study.

**EXHIBIT D (Continued)**

**MARKET STUDY SUMMARY SHEET AND  
CERTIFICATION OF INDEPENDENCE**

Project: \_\_\_\_\_

Developer/Sponsor: \_\_\_\_\_

Please indicate the correlating page, which addresses the following questions:

Page #

- Assess whether there is a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations, each income level (5 percent over and 10 percent under the committed AMI levels). Include capture rate analysis. \_\_\_\_\_
- Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project? \_\_\_\_\_
- Is the project configuration (unit size, bedrooms, amenities) consistent with market's expectations and need? \_\_\_\_\_
- Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project? \_\_\_\_\_
- What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets? \_\_\_\_\_
- Is over building a risk in the current or foreseeable market? \_\_\_\_\_
- Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated. \_\_\_\_\_
- Evaluate and explain the effect the project will have on local and community competitors? \_\_\_\_\_
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. \_\_\_\_\_
- Evaluate and explain the effect the project will have on local and community competitors? \_\_\_\_\_
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. \_\_\_\_\_
- Address other pertinent issues and conditions. \_\_\_\_\_
- The analyst must do primary research and site visitation to analyze demographic data, new renovations & construction, etc. \_\_\_\_\_
- A precise delineation of market area is required. \_\_\_\_\_
- Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects. \_\_\_\_\_
- Market studies must be less than 90 days old at the time of the application's submission to DHCD. \_\_\_\_\_
- Give conclusions and recommendations for making the project more marketable and attractive. "Tell it like it is." \_\_\_\_\_
- How many studies has the analyst done in this market? Over what period of time? \_\_\_\_\_
- The Analyst qualifications, education and experience. \_\_\_\_\_
- Local Community Affordable Housing Plan summary, if available. \_\_\_\_\_

The undersigned hereby certifies that the market study was performed independently and without influence by the applicant or any relation thereof.

Date: \_\_\_\_\_

Company: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_



**MARKET STUDY COMPANY INFORMATION**

For 2005, all analysts must submit the following information. Please include all items on the checklist:

1. Contractor name, address, telephone, fax, primary contact and email.
2. Description of services provided and percent of time in each of the service areas.
3. Statement of experience. Include specifics for all project experience, including name of project, location, number of units, type of units (family, elderly, other special needs), financing subsidies in project (rental assistance, tax credits, other public agency financing), and date of completion.
4. Copy of license as an appraiser in the State of Utah. (If applicable)
5. List of counties where you would accept assignments.
6. Approximate fee range you would charge to complete work. If your fee will change based on location or size of project, this should be clearly indicated in the explanation.
7. Time Requirement. How long will it take you to complete your work?
8. Names and experience of individuals who will be conducting site and community inspection/study of projects.
9. List of references with addresses and telephone numbers from financial institutions, government agencies and developers.
10. Market Study

## State of Utah

### Olene Walker Housing Loan Fund

### Capital Needs Requirements

OWHLF applicants for acquisition/rehabilitation must submit as a threshold item a Physical Condition Assessment (PCA) or recent Capital Needs Assessment (CNA) and replacement reserves analysis. The PCA/CNA must have been performed within six months of the submission date of this application.

The PCS/CNA shall include the following four (4) components:

1. Critical Repair Items: All health and safety deficiencies or violations of Section 8 housing quality standards, including any/all Federal Lead Based Paint and, asbestos requirements and FHA's regulatory agreement standards that require immediate remediation.
2. Twelve-Month Physical Needs. An estimate of repairs, replacements and significant deferred and other maintenance items that will need to be addressed within 12 months. Includes the minimum market amenities needed to restore the property to the affordable housing standard adequate for the rental market for which the project is approved.
3. Long Term Physical Needs. An estimate of the repairs and replacement items beyond the first year that are required to maintain the project's physical integrity over the next 20 years, such as major structural systems that will need to be replaced during this period.
4. Analysis of Reserves for Replacement. An estimate of the initial and monthly deposit to the Reserves for Replacement Account needed to fund the project's long term physical needs (20 years), accounting for inflation, the existing Reserves for Replacement balance (if any), and the Expected Useful Life of the major building systems. This analysis should include the cost of the twelve-month physical needs, but not any work items that would be treated as operating expenses.

#### Statement of Work

1. The CNA shall be written with detailed narrative and accompanying color photographs and shall describe the property's exterior and interior physical condition, including architectural and structural components and mechanical systems.
2. The report shall:
  - a. Identify in detail any repair items that represent an immediate threat to health and safety. Identify all other significant defects, deficiencies, items of deferred maintenance, and material building code violations, (individual and collectively, physical deficiencies) that would limit the expected useful life of major components or systems.
  - b. Provide estimated costs to remedy the detailed physical deficiencies. Identify immediate needs and estimate the needs for the next 20 years, accounting for inflation, the existing Reserves for Replacement balance (if any), and the **Expected Useful Life** of the major building systems. This analysis should include the cost of the twelve-month capital improvement needs, excluding operating expenses.

## EXHIBIT E (Continued)

- c. Provide Replacement Reserve Schedule including an estimate of the initial and annual deposits, (projected to increase at the operating cost adjustment factor), based on the useful life of the major building systems. The term of the analysis should correspond to the mortgage period plus two years.
3. The report shall identify physical deficiencies as a result of:
  - a. A visual survey.
  - b. A review of any pertinent documentation.
  - c. Interviews with the property owner, management staff, tenants, interested community groups and government officials.
4. The report shall provide a description of directly observed potential on-site environmental hazards.
5. The report shall assess the twelve-month physical needs. The standard is a non-luxury standard adequate for the rental market. The physical needs identified should be those necessary for the project to retain its market position as an affordable project in a decent, safe, and sanitary condition (recognizing any evolution of standards appropriate for such a project). The twelve-month physical needs should include those improvements the project requires to compete in the market. Where a range of options exists, the most effective options for rehabilitation should be chosen, when both capital and operating costs are taken into consideration.

The report shall determine the cost-benefit of each significant work item in the rehabilitation plan (i.e. greater than \$5,000 per work item) that represents an improvement to the product, an upgrade to current elements or that could be considered to reduce the operating expenses. For example, individual utility metering, extra insulation, thermo pane windows, water savers on showers and toilets, automatic setback thermostats, and durable siding. Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of the building systems as needed.

6. An independent consultant, an architect, general contractor or engineer, any of who must be licensed in the state of Utah, shall prepare the report.
7. The report shall explain how the project will meet the requirements for accessibility and visibility to persons with disabilities, to the extent applicable.
8. The CNA report or PCA report, in addition to the four major aforementioned components, at a minimum shall include the following sub-components.
  - a. Project Summary Sheet.
  - b. Executive Summary (discussion of the physical condition of the property and any major repair/rehab items observed).

## EXHIBIT E (Continued)

- c. An index.
  - d. Introduction of the report.
  - e. Building evaluation (property identification- survey, legal description of property).
  - f. Site improvement evaluation/analysis (utilities, parking, paving, sidewalks, sewer and drainage, landscaping, trash enclosures/compactors and general site improvements).
  - g. Building Architectural and Structural Systems Evaluation (foundation superstructure and floors, roof structures and roofing, exterior walls and stairs, siding, downspouts, and common areas energy efficiency, tenant amenities, playgrounds and playground equipment).
  - h. Building Mechanical and Electrical Systems Evaluation (building HVAC, plumbing, electrical, elevators, fire protection/security systems).
  - i. Interior Dwelling Units Evaluation (interior finishes, walls, ceilings, paint, kitchen and appliances, carpet, vinyl, interior doors, shelves, cabinets, vanities, closets, interior HVAC, plumbing, bathroom fixtures, electrical fire protection systems, security systems).
  - j. Evaluation/Analysis of Other Structures.
  - k. Environmental Evaluation.
  - l. Estimated Useful Life Analysis (computation of Repairs and Replacement Reserves).
  - m. The basis for identifying any item for repair or replacement.
  - n. Unit cost breakdown shall be provided for multiple items (i.e. stoves, refrigerators, cabinets, bathroom fixtures, etc).
  - o. Acknowledgements (who prepared report, when report was prepared, who received report, and when report was reviewed).
  - p. Appendices (photographs, site plans, maps title report etc.).
  - q. Identification of any observed hazards, flammable or explosive facilities/operations in the immediate area of the project; and State whether the project is located in a Flood Plain.
9. The firm or person who prepared or supervised the preparation of the report must sign the report.
10. Submit one (1) original of the report to DHCD.
11. The architectural report must include the following:
- a. Total floor area in square feet for the entire development, units and common area.
  - b. Units will provide the furnishings as stated in the application (range, hood, refrigerator, exhaust fans, grab bars, etc.).
  - c. A final report itemizing the extent of renovation and replacement and summary comparing the CNA report submitted to DHCD and final results.

**OLENE WALKER HOUSING LOAN FUND**  
**Project Owner**  
**Identity of Interest Certification**

Project Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_

The Board requires a full disclosure of all related party transactions affecting the payment of fees to the developer or contractor. The staff must be notified of any changes in such relationships during the development process.

The undersigned represents that all fees and profit from the development of the project have been disclosed and that there are no undisclosed related party transactions involving the project owner/applicant, developer, contractor, officers, consultants, land-owners, intermediaries, Realtors, etc.

Project Owner / Applicant Name

\_\_\_\_\_  
Name  
Title:

\_\_\_\_\_  
Date

**OLENE WALKER HOUSING LOAN FUND****Pricing Policy, Loan Products and, Loan Definitions****PRICING POLICY**

<b>Interest Rate:</b>	<b><u>Average %AMI Served:</u></b>	<b><u>Interest Rate:</u></b>
	46 - 50	3.0%
	41 - 45	2.5%
	36 - 40	2.0%
	31 - 35	1.5%
	30 and less	TBD

(Rate schedule is subject to change with market conditions. See also Loan Products Section for additional interest provisions.)

**Late Fee:** 5 percent of amount due.

**Default Rate:** The greatest of 10 percent per annum or the default rate of priority lien in effect at time of default.

**Fees:** None.

**LOAN PRODUCTS****Amortizing Loan:**

**Term/Amortization:** Lesser of 40 years or 5 years less than the remaining useful life of collateral as determined by appraisal review on new construction, and the evaluation of staff for acquisition and/or rehabilitation.

**Repayment:** Mandatory monthly payments of principal and interest are required after the project is placed-in-service.

**Interest rate:** See Pricing Policy.

**Deferred Loan:**

**Term:** 30 years or 5 years less than remaining useful life of collateral. The loan will be secured by a trust deed. A deed restriction will also be recorded.

**Repayment:** Principal and interest deferred for first 15 years.  
Mandatory monthly payments of principal and interest are required after the 15-year anniversary, sufficient to fully amortize the loan by maturity date (provided underwriting demonstrates ability to make payment). Deferment and/or extensions may be granted at the discretion of the Board.

**Interest rate:** See Pricing Policy.

## **EXHIBIT G (Continued)**

### **Cash Flow Loan:**

For an applicant to be considered for a cash flow loan, the target AMI must be 30% or less, or have an investor require a cash flow loan.

**NET CASH FLOW:** The sum of (i) all cash received from rents, lease payments and all other sources, but excluding (A) tenant security or other deposits, (B) Capital contributions and interest on contributions, if any thereon (other than if used to pay for an item deducted below in determining net cash flow), (C) proceeds from capital transactions and (D) interest on reserves not available for distribution, (ii) the net proceeds of any insurance, other than fire and extended coverage and title insurance, to the extent not reinvested, and (iii) any other funds deemed available for distribution by the manager with approval of HCD, if required, less the sum of (i) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the company's business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes) including the management fee to the management agent, but exclusive of company administration fees, (ii) all payments on account of any loans made to the company (excluding such loans made by a member or otherwise), other than operating deficit expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the lender and/ or the agency or may be determined from time to time by the manager with approval of the investor member, and the lender and/ or agency, if required, to be advisable for the operation of the company.

Net cash flow shall be determined separately for each fiscal year or portion thereof commencing after final closing and shall not be cumulative. Wherever there is a reference to net cash flow pursuant to the allocation plan, net cash flow shall be deemed to be limited to surplus cash available.

**Surplus Cash:** Any cash from all sources remaining at the end of an annual fiscal period, if applicable, (i) after the payment (on a thirty day current basis) of (a) all sums due or currently required to be paid under the terms of the mortgage loan, (b) any amounts required to be deposited in the reserve fund for replacements established with respect to the apartment complex, and (c) all obligations of the apartment complex, including operating expenses and escrow deposits for taxes and insurance, other than the mortgage loan and excluding company administration fees; and (ii) after the segregation of (a) an amount equal to the aggregate of all special funds required to be maintained by the apartment complex, and (b) all tenant security deposits held, together with accrued interest

thereon payable to the tenant pursuant to the laws of the state.

## **EXHIBIT G (Continued)**

**Grant Term (Conditional):** For an applicant to be considered for a grant the targeted AMI must be 30% or less. A deed restriction will be recorded which requires repayment of the grant with a change of use, change in targeted population, or sale of property.

### **LOAN DEFINITIONS**

**Loan Types:** Permanent loans for newly constructed projects, refinancing for the purpose of preserving affordability, or acquisition/rehab projects. Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources.

See also LOAN PRODUCTS.

**Project Types:** Rental, mixed use, supportive housing and/or special needs housing serving residents with average project restricted rents at or below 50 percent of the area median income as determined by HUD.

**Security:** Second position deed of trust with assignment of rents subordinate to private institutional lender. (Will subordinate to FHA insured debt with surrender of foreclosure rights, however, without waiver of mandatory payment requirements.)

**Term:** See specific loan product terms

**Debt Coverage:** Minimum of 1.10:1, maximum of 1.25:1.

**Pre-payment:** No pre-payment penalty. Pre-payment does not disallow the criteria outlined in the loan documents guaranteeing the continued use and period of affordability as outlined in those documents.

**Loan Amount:** **Minimum:** none

**Maximum:** lesser of \$1,000,000 or 20 percent of current year funds.

**Match Funds:** **With Other PJ Funds:** Projects located in independent participating jurisdictions (as established by HUD) are required to secure match funds from the participating jurisdiction of not less than .50:1 with OWHLF. Sources include but are not limited to entitlement funds, fee waivers, or other local government funds and services.

**Pre-development:** Non-recourse loans for project development preceding permanent financing.

### **OTHER GUIDELINES**

**Eligible Borrower:** OWHLF will evaluate applicant's, or its member's, financial and management strength and property development/management experience. Borrower and all entities associated therewith (including without limitation general partner/manager, limited partner/member,



developer, and sponsor) must be current on all outstanding OWHLF or DHCD obligations at time of application, reservation and funding of loans.

## **EXHIBIT G (Continued)**

<b>Collateral Evaluation:</b>	All tax credit projects and new construction non-tax credit projects to include review and approval of market study. In-house market review for non-tax credit acquisitions. All projects are subject to receipt of acceptable appraisal, budget projections, availability of support services, jurisdictional approvals, community support, and acceptable degree of affordability.
<b>Risk Management:</b>	Loans shall be closed and funded through escrow at or subsequent to close of building acquisition/refinance or construction loan. Funds advanced during construction shall be advanced against draws following satisfactory evaluation of work and contract compliance.
<b>Appraisal:</b>	Current appraisal approved by priority lien holder.
<b>Environmental:</b>	Federal HOME funds are subject to environmental requirements beyond Phase I. For the complete environmental checklist refer to section I, Administrative Services <b>EXHIBIT N</b> . The environmental review is required to be complete and signed off on prior to closing of the loan:
<b>Property Management:</b>	Experienced management agent, management plan, and project manager must be acceptable to OWHLF.
<b>Other Requirements:</b>	Hazard insurance with extended coverage, liability insurance and rent loss is required on all properties.

## FINAL COST CERTIFICATION INSTRUCTIONS

The following documents on disk need to be executed and returned to the staff:

1. Owner's Project Certification Statement
2. Owner's Tax Credit Detailed Cost Breakdown
3. Owner's Certification of Costs Report for total project
4. Project Source of Funds Statement
5. CPA Certification of Costs Report for total project costs
6. CPA Certification of Costs Report Building by Building
7. Final Accountant's Cost Certification
8. Low-Income Housing Credit Commitment Agreement and Declaration of Restrictive Covenants (Extended Use Agreement)
9. General Public Use Certification
10. Fair Housing Certification
11. Subsidy Certification
12. Lender and Owner Certification
13. Owner Quality Certification
14. Non-Profit Certification (as applicable)
15. Annual Expense Schedule
16. Owner Building Unit Breakout
19. Architect's Fair Housing Certification
20. Owner's Schedules signed from enclosed diskette **and return the completed excel file on diskette to the staff**

Also, please enclose the following information with the above-completed documentation:

1. Copy of Occupancy Certification for each building
2. Copy of rent roll containing number of occupants per unit and income, Ethnicity, type of head of household, bedroom size
3. Utility Allowance Documentation
4. Tax Credit Purchase Agreement, Syndication agreement
5. Loan Commitment(s)
6. Copy of appraisal
7. Copy of the recorded deed in the name of the owner
8. The EIN (Employer Identification Number) for the owner

## **STATE OF UTAH OLENE WALKER HOUSING LOAN FUND GENERAL REQUIREMENTS**

To assist applicants in properly categorizing costs, and thereby avoiding re-categorizing by the staff when determining compliance with Contractor Fee and Developer Fee and General Requirement Limitations, the staff shall allow the following items to be included under General Requirements for the purpose of determining eligible basis and fee limits.

- Supervision and job site engineering.
- Job office expenses including clerical wages, whether on-site or offsite, if for the project.
- On-site temporary buildings, tool sheds, shops and toilets.
- Temporary heat, water, light and power for construction.
- Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental.
- Construction equipment rental not in trade item costs.
- Clean up and disposal of construction debris.
- Medical and first aid supplies and temporary facilities.
- Watchman's wages, security cost, and theft and vandalism insurance.

Items not listed above, including, but not limited to, salaries of owners, partners or officers of the general contracting firm shall not be allowed under General Requirements.

STATE OF UTAH  
 OLENE WALKER HOUSING LOAN FUND  
 PROJECT DEVELOPMENT SCHEDULE - *New Projects*

EXHIBIT J-1

Project Name: \_\_\_\_\_

	<u>Activity</u>	<u>Source of Funds</u>	<u>Expected Date</u>	<u>Completed Date</u>
<b>A. Site</b>				
	Option/Contract		_____	_____
	Site Analysis		_____	_____
	Site Acquisition		_____	_____
	Zoning FINAL Approval		_____	_____
<b>B. Financing</b>				
<b>1. Construction Loan</b>		_____		
	Application		_____	_____
	Conditional Commitment		_____	_____
	Firm Commitment		_____	_____
<b>2. Permanent Loan</b>		_____		
	Application		_____	_____
	Conditional Commitment		_____	_____
	Firm Commitment		_____	_____
<b>3. Other Sources of Funds</b>				
	Type & Source	_____		
	Application		_____	_____
	Award		_____	_____
	Type & Source	_____		
	Application		_____	_____
	Award		_____	_____
	Type & Source	_____		
	Application		_____	_____
	Award		_____	_____
<b>C. Plans &amp; Specs (Final)</b>			_____	_____
<b>D. Closing / Site Transfer/ Environmental</b>			_____	_____
<b>E. Construction Begins</b>			_____	_____
<b>F. Carryover Submission</b>			_____	_____
<b>G. Occupancy Certificate</b>			_____	_____
<b>H. Lease Up</b>			_____	_____
<b>I. Placed in Service</b>			_____	_____
<b>J. Final Cost Certification</b>			_____	_____

**STATE OF UTAH** **EXHIBIT J-2**  
**PROJECT DEVELOPMENT SCHEDULE - Rehab Projects**

**Project Name:** \_\_\_\_\_

<u>Activity</u>	<u>Source of Funds</u>	<u>Expected Date</u>	<u>Completed Date</u>
<b>A. Site</b>			
Option/Contract		_____	_____
Site Analysis		_____	_____
Site Acquisition		_____	_____
Zoning FINAL Approval		_____	_____
<b>B. Financing</b>			
<b>1. Construction Loan</b>	_____		
Application		_____	_____
Conditional Commitment		_____	_____
Firm Commitment		_____	_____
<b>2. Permanent Loan</b>	_____		
Application		_____	_____
Conditional Commitment		_____	_____
Firm Commitment		_____	_____
<b>3. Other Sources of Funds</b>			
Type & Source	_____		
Application		_____	_____
Award		_____	_____
Type & Source	_____		
Application		_____	_____
Award		_____	_____
Type & Source	_____		
Application		_____	_____
Award		_____	_____
<b>C. Plans &amp; Specs (Final)</b>		_____	_____
<b>D. Due Diligence/ Environmental</b>		_____	_____
<b>E. Syndicator Closing</b>		_____	_____
<b>F. Acquisition of Property</b>		_____	_____
<b>G. Construction Begin</b>		_____	_____
<b>H. Carryover Submission</b>		_____	_____
<b>I. Final Cost Certification</b>		_____	_____

**EXHIBIT K**

## SCORING SHEET

This form is automatically completed from application information

**Project Name:**

### SUBSIDY LIMITS

				Total # of units by bedroom size	25% <35%	20% 35- 39.99%	15% 40- 44.99%	10% 45- 50.00%	0% 51%>
				SRO					
				1					
				2					
				3					
	221D3 limits			4					
	Non- Elevator	Elevator	130 bump-up area x 85% non-elevator	130 bump-up area x 85% elevator					
SRO	\$42,980	\$45,232	\$36,533	\$38,447					
1	\$49,557	\$51,849	\$42,123	\$44,072					
2	\$59,766	\$63,049	\$50,801	\$53,592					
3	\$76,501	\$81,563	\$65,026	\$69,329					
4	\$85,225	\$89,531	\$72,441	\$76,101					
				Maximum Subsidy					
				Average \$ per unit					

Consideration of additional funding may be given to non-tax credit HUD and RD financed projects, special needs, and four-or-less unit projects.

- Does the project have an overall AMI targeting <30% AMI (17 pts), 30-34.99% AMI (15pts), 35-39.99% AMI (12pts), 40-44.99% (9pts), 45-50% AMI (7pts), >50% (0pts) \_\_\_\_\_
- Are 10% of the total units: 4 bedroom units (5pts), 3 bedroom units (4pts), 2 bedroom units (3pts), 1 bedroom units (2pt), SRO units (2pt) (maximum of 5 pts possible) \_\_\_\_\_
- Leveraging: \$ \_\_\_\_\_ divided by \$ \_\_\_\_\_ X 3= \_\_\_\_\_  
Total eligible cost OWHLF loan request  
(Maximum of 30 points) \_\_\_\_\_
- Is the project located in a county with a population <15,000 (10 pts), 15,001 – 26,000 (7 pts), 26,001 – 75,000 (5 pts), 75,000 – 100,000 (2 pts) \_\_\_\_\_
- Units set aside for special needs population (5 pts per unit up to 3 units) \_\_\_\_\_
- Is this new construction on an infill site? (not requiring extensions of public roads, services, or utilities) (5 pts) \_\_\_\_\_
- Is this rehabilitation or preservation of an existing structure for?  
Substantial rehabilitation (10 pts), and/or  
Preservation of Section 8 or RD subsidized (10pts) \_\_\_\_\_
- Are at least 25% of the units market rate? (3pts) \_\_\_\_\_
- Debt Coverage Ratio (DCR) on total debt: >1.15 (5pts) \_\_\_\_\_

TOTAL POINTS:(110 Points Possible) \_\_\_\_\_

**COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)  
QUALIFICATION CHECKLIST**

Please answer all questions and provide supporting documentation.

**LEGAL STATUS**

The nonprofit organization is organized under state or local laws, as evidenced by:

\_\_\_\_\_ a Charter, **OR** \_\_\_\_\_ Articles of Incorporation

No part of its net earnings inure to the benefit of any member, founder, contributor, or individual as evidenced by:

\_\_\_\_\_ a Charter, **OR** \_\_\_\_\_ Articles of Incorporation

Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 502(c) of the Internal Revenue code of 1986, as evidenced by:

\_\_\_\_\_ a 501 (c) certification from the IRS \_\_\_\_\_ other:

Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:

\_\_\_\_\_ Charter, **OR** \_\_\_\_\_ Articles of Incorporation

\_\_\_\_\_ By-laws, **OR** \_\_\_\_\_ Resolutions

**CAPACITY:**

Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management System", as evidenced by:

\_\_\_\_\_ A notarized statement by the president, or chief financial officer of the organization;

\_\_\_\_\_

## EXHIBIT L (Continued)

Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

\_\_\_\_\_ Resumes and/or statements that describe the experience of accomplished key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

\_\_\_\_\_ Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff members.

Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

\_\_\_\_\_ A statement that documents at least one year of experience in serving the community, OR

\_\_\_\_\_ For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

Please provide a statement from the CHDO, or its parent organization that shows one year of service to the community from the date the State of Utah provides HOME funds to said organization. The statement must include:

A description of the organizations history (or its parent organizations history) such as:

- (1) Developing new housing, rehabilitating existing stock or managing housing stock and;
- (2) Developing delivery mechanisms for essential services that have lasting benefits for the community, such as housing counseling services, or childcare facilities.

The statement must be signed by the president of the organization or by a HUD approved representative.

### **ORGANIZATIONAL STRUCTURE**

Maintains at least one-third of its governing boards membership for residents of low-income neighborhoods, other low income community<sup>II</sup> residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's:

\_\_\_\_\_ <sup>II</sup> Under the HOME program, for urban areas, the term, and "community" is defined as one or several neighborhoods, a city, and county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county or multi-county area (but not the whole state), provided that the governing board contains low-income residents from each of the multi-county areas.



## EXHIBIT L (Continued)

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

Provides a formal process for low-income program beneficiaries to advise the organization in all of its decisions regarding the design, site, development, and management of all affordable housing projects, as evidenced by:

\_\_\_\_\_ The organization's by-laws, resolutions, OR  
\_\_\_\_\_ A written statement of operating procedures approved by the governing body.

A state or local government can charter a CHDO, however, the state or local government may not appoint more than one-third of the membership of the organization's governing body and no more than one-third of the governing board members are public officials, as evidenced by the organization's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

### **RELATIONSHIP WITH FOR-PROFIT ENTITIES**

The CHDO is not controlled, nor receives direction from individuals, or entities seeking profit from the organization, as evidenced by:

\_\_\_\_\_ The organization's By-Laws, OR  
\_\_\_\_\_ A Memorandum of Understanding.

A CHDO may be sponsored or created by a for-profit entity, however:  
The for-profit entity's primary purpose does not include the development, or management of housing, as evidenced in its By-laws:

\_\_\_\_\_ Yes                      \_\_\_\_\_ No

AND;

The CHDO is free to contract for goods and services from the vendor(s) of its own choosing, as evidenced in the CHDO's:

\_\_\_\_\_ By-Laws,  
\_\_\_\_\_ Charter, OR  
\_\_\_\_\_ Articles of Incorporation

**EXHIBIT L (Continued)**

For purposes of Internal Revenue Code Section 42, \_\_\_\_\_  
(The "Corporation") hereby represents and certifies to the Utah Housing Finance staff the following;

The Corporation owns an equity interest in \_\_\_\_\_ (the "Owner"), which owns and operates the \_\_\_\_\_, a Tax Credit project (the "Project"), located in \_\_\_\_\_, Utah.

The Corporation is a "Qualified Nonprofit Organization" within the meaning of §42(h)(5)(C) of the Code with respect to the Project such that the Corporation is:

- An organization described in §501(c)(3) or (4) of the Code and is exempt from tax under §501(a) of the Code;
- Not affiliated with or controlled by a for-profit organization; and
- One of the exempt purposes of the Corporation includes the fostering of low-income housing.

The Corporation materially participates (within the meaning of §469 (h) of the Code) in the development and operation of the Project throughout the compliance period with respect to the Project. For purposes of this material participation representation, the Corporation represents and certifies that it has satisfied one of the following material participation standards provided for under Section 1.469-5T of the Income Tax Regulations (check applicable line):

\_\_\_\_\_ The Corporation participated in the activity of the Project for more than 500 hours during the taxable year.

\_\_\_\_\_ The Corporation participation in the activity of the Project for the taxable year constitutes substantially all of the participation in such activity of all individuals (including individuals who are not owners of interests in the Project) for such year.

\_\_\_\_\_ The Corporation participated in the activity of the Project for more than 100 hours during the taxable year, and the Corporation's participation in the activity of the Project for the taxable year is not less than the participation in the activity of any individual (including individuals who are not owners of interest in the Project) for such year.

\_\_\_\_\_ The activity of the Project is a significant participation activity (within the meaning of Section 1.469-5T (c)) for the taxable year, and the Corporation's aggregate

participation in all significant participation activities during such year exceed 500 hours.

**EXHIBIT L (Continued)**

\_\_\_\_\_ The Corporation materially participated in the activity of the Project (determined without regard to this paragraph) for any five taxable years (whether or not consecutive) during the ten taxable years that immediately precede the taxable year.

\_\_\_\_\_ Other:

Explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Under penalties of perjury, the undersigned hereby certifies that the foregoing information is true and correct as of the date hereof.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

CORPORATION

\_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

## EXHIBIT M

### ACRONYMS AND PROGRAM GLOSSARY:

ADA	American Disabilities Act, and its associated acts of Congress. Specific architectural regulations have been developed to house persons that are dependent on wheelchairs for mobility and other physical impairments.
AMI	Area Median Income. This statistic of county income is estimated annually by the Department of Housing and Urban Development. It serves as a basis for determining the incomes and rents to be used in the program.
CDBG	Community Development Block Grant. This is a program administered by the Department of Community and Economic Development in the state of Utah. It is a federal program designed to assist local municipalities in developing infrastructure such as water treatment plants, bridges, roads, etc. Occasionally it is used in a tax credit project to obtain land or to develop sewer, water and other infrastructure on or to the site.
CHDO	Community Housing Development Organization. A nonprofit housing development corporation whose mission and organizational structures are defined by HUD. This type of organization can obtain various funds on a priority basis from HUD and other sources, because of its' mission.
DCED	Department of Community and Economic Development: The department that includes the Division of Community Development and the Division of Business and Economic Development.
DCR	Debt Coverage Ratio. This is a commonly used measure of project feasibility. It is the annual Net Operating Income before taxes divided by the annual debt service.
HCD	Division of Housing and Community Development. Administrators of various housing resources through the OWHLF.
HOME	HOME Funds. The "HOME investment partnership" is a federal housing block grant program administered by the Department of Housing and Urban Development and granted to states. It provides loans at below market interest rates to assist affordable housing projects in achieving below market rents. The Department of Community and Economic Development as well as various participating jurisdictions administer this program throughout the State of Utah.
HOPE	This is a housing loan and grant developed by the Department of Housing and Urban Development to assist the development of housing. It is also used in home ownership programs for down payment assistance.
HOPWA	Housing of Persons With AIDS. The program is used to develop housing and assist in the operation of the project by providing rent subsidies for persons with AIDS or HIV.

HUD	Department of Housing and Urban Development. A federal department responsible for housing. They are the regulatory body over Public Housing Authorities and provide funds for various housing priorities.
IRC	Internal Revenue Code of 1986, as amended. The document setting forth all tax laws for the United States of America. IRC §42 regulations come from this document and various other legislative sources.
IRS	Internal Revenue Service. The federal department having jurisdiction over the program, as mandated by Congress. The program is administered by each states' delegated staff, who is in turn regulated by the Internal Revenue Service.
LIHTC	Low Income Housing Tax Credit.

#### **EXHIBIT M (Continued)**

LURA	Land Use Restriction Agreement. The agreement declaring the terms of the low-income use and the term restrictions. This document is recorded on the land title as public notice of the restrictions.
OWHLF	Olene Walker Housing Loan Fund. A pool of funds, inclusive of state, federal and program income used exclusively to support affordable housing in the state of Utah. Formerly known as the Olene Walker Housing Trust Fund.
PHA	Public Housing Authority. An independent organization set up to provide housing assistance within a community. They are the issuing agent for HUD Section 8 vouchers and certificates. They also may have ownership interest in housing units.
PUD	Planned Unit Development. This is a form of ownership typical of townhouse construction. Each owner of a unit owns the land under their unit and a percentage of any common area, unlike a condominium, where the owner owns a percentage of the project and the area within their unit.
RD	U.S. Department of Agriculture Rural Development Service, a staff of the federal government responsible for economic and housing development in rural areas. Formerly known as the Farmer's Home Administration.
SRO	Single Residential Occupancy. This is a very small rental unit that usually has a small kitchenette with common bathroom and shower facilities. It is generally built for households having only one person.

## EXHIBIT N

### OLENE WALKER HOUSING LOAN FUND

#### Environmental Requirements

It is important for all recipients to understand that there are certain environmental review requirements for projects funded with HUD (HOME) dollars. If any part of the project is funded with HUD dollars the whole project is “tainted” and is subject to environmental regulations.

- Step 1.** Recipient should contact a DHCD Housing Specialist to determine what “pots” of funding are financing the project. HOME funds? State funds?
- Step 2.** If there is any HUD money involved, recipients must not proceed with the project without first contacting a DHCD Housing specialist for guidance on how to complete the appropriate review.  
**(No construction awards may be made or expenses incurred prior to the review process!)**
- Step 3.** Depending on the size and scope of the project, recipient will be required to complete an “environmental review” of the project to determine any impacts. This can take between 1 – 8 weeks depending on the scope of the project.
- Step 4.** Recipients must obtain an “environmental release” letter from the DHCD Environmental Review Officer prior to committing funds or incurring costs related to the project. Any costs incurred prior to the release will be denied.

## SINGLE-FAMILY REHABILITATION AND RECONSTRUCTION

### Pricing Policy, Loan Products, and Loan Terms

Interest Rate:	<u>%AMI</u>	<u>Interest Rate:</u>
	50 or below	0 to 2.0%*
	51 - 60	2.5%
	61 - 80	3.0%

Interest rate is based on actual income as defined below and will be determined on a case-by-case basis to keep the payment within the debt coverage ratios.

\*Interest rate will be determined on a case-by-case basis.

**Late Fee:** 5 % of amount due.

**Fees:** None.

**Income Eligibility** Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.

**Loan Payment** Loan payment and term will be determined based on actual income.

**Calculation for loan:** Actual income is defined as adjusted gross income as calculated on the IRS 1040 Form, plus non-taxable income.

**Eligible Borrower:** Staff will evaluate applicant's income to debt ratio.

**Collateral Evaluation:** To include review of appraisal or tax evaluation notice or comparables.

**Risk Management:** Funds advanced during construction will be advanced against draws following satisfactory evaluation of work and contract compliance.

**Amortizing Loan:** **Term/amortization:** Not to exceed 40 years.  
Exceptions may be considered on a case-by-case basis.

**Repayment:** Mandatory monthly payments of principal and interest. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.

**Deferred Loan:** **Term:** 30 years or less.

**Repayment:** Principal and interest may be deferred. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.

#### **EXHIBIT O (Continued)**

**Loan Types:** Permanent loans for projects. Refinancing is for preserving affordability with substantial rehabilitation, or acquisition/rehab projects.

**Security:** Secured with a deed of trust.

**Other Requirements:** Fire or homeowner insurance, flood insurance (if in flood plain).

**Maximum Property Value:** The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits published annually by HUD.

**Loan-To-Value:** Combined loan-to-value will not exceed 95 percent of property value.

**Debt Coverage Ratio:** Should not exceed approximately 38 percent ratio for debt and 30 percent for housing payments.

**Prepayment:** Permitted with no prepayment penalty.

**Loan Amount:** Minimum is \$1,000 and maximum is project based.

**Recapture/Resale:** None



**HOMEOWNERSHIP DEVELOPMENT GUIDELINES****Pricing Policy, Loan Products, and Loan Terms**

<b>Base Interest Rate:</b>	<table> <tr> <th><u>Average %AMI Served</u></th><th><u>Interest Rate:</u></th></tr> <tr> <td>50 or below</td><td>2.0%</td></tr> <tr> <td>51 - 60</td><td>2.5%</td></tr> <tr> <td>61 - 80</td><td>3.0%</td></tr> </table>	<u>Average %AMI Served</u>	<u>Interest Rate:</u>	50 or below	2.0%	51 - 60	2.5%	61 - 80	3.0%
<u>Average %AMI Served</u>	<u>Interest Rate:</u>								
50 or below	2.0%								
51 - 60	2.5%								
61 - 80	3.0%								
<b>Income Eligibility:</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.								
<b>Late Fee:</b>	5 % of amount due.								
<b>Default Rate:</b>	The greater of 10 percent per annum or the default rate of priority lien in effect at time of default.								
<b>Fees:</b>	None.								
<b>Eligible Developer</b>	OWHLF will evaluate the applicant's, or its members, financial and management strength and property development or management experience.								
<b>Collateral Evaluation:</b>	To include review and approval of development budget, appraisal, lender income analysis, jurisdictional approvals, community support, degree of affordability.								
<b>Risk Management:</b>	<p>Loans will be closed through escrow at or subsequent to close of building acquisition/refinance or construction loan.</p> <p>Funds advanced during construction shall be advanced against draws following satisfactory evaluation of work and contract compliance.</p>								
<b>Appraisal:</b>	Provide a current appraisal approved by priority lien holder.								
<b>Other Requirements:</b>	<p>Fire or homeowner insurance, flood insurance (if in flood plain).</p> <p>As-built property survey will be required.</p>								
<b>Recapture and Resale:</b>	<p>Determined with the Affordability Period.</p> <p>Mandatory recapture is due upon death or sale of the property.</p>								
<b>Amortizing Loan:</b>	The lesser of five years or when each lot is reconveyed.								
<b>Repayment:</b>	Annual payments or as each lot is sold.								

## EXHIBIT Q (Continued)

**Deferred Loan Term:** Five years or when all lots are reconveyed.

**Repayment:** Principal and interest deferred for 2 years. Exceptions will be considered on a case-by-case basis.

**Loan Types:** Loans for newly constructed projects will be of a minimum amount necessary to achieve affordability targets when combined with available private resources.

**Security:** First position deed of trust. May subordinate to FHA insured debt with surrender of foreclosure rights, however, without waiver of mandatory payment requirements.

**Prepayment:** Permitted with no prepayment penalty.

**Match Funds:** Projects located in independent participating jurisdictions (as established by HUD) are required to secure match funds of not less than .50:1 with OWHLF.

**Deferred Loans:** Projects seeking deferred loans shall secure match funds of equal or better terms of not less than .50:1 with OWHLF. Sources include, without limitation, proceeds from Federal Home Loan Bank AHP grants, private foundation grants, fee waivers, and local government grants. Sources exclude Federal tax credits and federal or state grant funds administered by OWHLF.

**HOMECHOICE - Physically or Mentally Disabled Clients****Pricing Policy, Loan Products, and Loan Terms**

<b>Interest Rate:</b>	Between 1-5 percent
<b>Late Fee:</b>	5% of amount due
<b>Fees:</b>	None
<b>Income Eligibility:</b>	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040
<b>Eligible Borrower:</b>	Disabled owner or disabled family member at or below 80 percent area median income. The Borrower must occupy the property as a principal residence and purchase the property through an approved lender
<b>Qualifying Ratios:</b>	Borrower's debt ratio will not exceed 50/50 percent
<b>Closing Costs:</b>	May be funded within the requirements of Fannie Mae's Home Buyers' Program
<b>Recapture and Resale:</b>	Determined with the Affordability Period. Mandatory recapture is due upon death or sale of the property. Monthly payment of the principal will reduce the amount.
<b>Down Payment</b>	A three percent down payment is based on the sales price. The borrower must contribute \$500 from their funds. The remainder may come from gifts or grants
<b>Cash Reserves:</b>	The borrowers are required to have two months' mortgage payments (PITI) in reserves after closing. One month's reserve must come from the owner's funds; the second month will come from the \$20,000 reserve account via a letter of commitment from the OWHLF. The reserve may be maintained in a verified account or held by a participating organization, or family member
<b>Risk Management:</b>	Loans shall be closed and funded through escrow at or subsequent to close of home acquisition/refinance or rehabilitation/replacement loan
<b>Loan Term:</b>	Loan term matches the first mortgage
<b>Combined LTV Ratios:</b>	Subordinate financing when used to supplement a borrower's contribution for the closing cost and down payment assistance, must have grant like terms if the CLTV ratio is over 97 percent and may not exceed 105 percent. If subordinate financing is used for accessibility modification in addition to

## EXHIBIT R (Continued)

closing costs and down payment assistance the CLTV ratio may not exceed 120 percent

**Maximum Property Value:** The value may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD

**Subordinate Financing:** Must be approved by the lender's lead Fannie Mae Regional Office. Subordinate financing may consist of a 2<sup>nd</sup> or 3<sup>rd</sup> lien mortgage where different funding sources are used

**Collateral Evaluation:** To include review of appraisal, tax evaluation notice or comparables

**Amortizing**                      **Loan term amortization:** Fifteen to thirty year fixed rate, fully amortizing, level payment mortgage

**Repayment:** Mandatory monthly payments of principal and interest

**Loan Types:**                      Permanent loans for projects, refinancing for the purpose of preserving affordability, or acquisition/rehab projects.

Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources

**Security:**                              Second position deed of trust subordinate to private institutional lender

**Prepayment:**                        Permitted with no prepayment premium

**Loan Amount:**                        Minimum is \$1,000 and maximum is project based

**Buy-downs:**                            Temporary interest rate buy downs are not permitted

**Mortgage Insurance:**                Is required on mortgages having a LTV ratio greater than 80 percent

**Other Requirements:**                Fire or homeowner insurance, flood insurance (if in flood plain).

Property is the principle residence and the owner will occupy the property immediately following completion of work.

Projects must expend a minimum of \$1,000.00 per unit in direct costs.

**DOWN PAYMENT ASSISTANCE**

**Pricing Policy, Loan Products, and Loan Terms**

**Interest Rate:** None.

**Late Fee:** None.

**Fees:** None.

**Income Eligibility:** Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.

**Calculation for loan:** Actual income is defined as adjusted gross income as calculated on the IRS 1040 Form, plus non-taxable income.

**Eligible Borrower:** For families at or below 80 percent of the area median income as determined by HUD. The Borrower must occupy the property as a principal residence and purchase the property through an approved form of ownership.

**Risk Management:** Loans shall be closed and funded through escrow at or subsequent to close of the home acquisition loan.

**Amortizing Loan:** **Term/amortization:** None.  
**Repayment:** None.

**Deferred Loan:** **Term/ Repayment:** Due upon death of borrower(s) or sale of the property.

**Loan Type:** Deferred.

**Security:** Second or third position deed of trust subordinate to private institutional lender.

**Prepayment:** Permitted with no prepayment penalty.

**Recapture and Resale:** Determined with the Affordability Period. Mandatory recapture is due upon death or sale of the property. Monthly payment of the principal will reduce the amount.

**Maximum Property Value:** The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD.

**Other Requirements:** Fire or homeowner insurance, flood insurance (if in flood plain).

**ARCHITECT'S CERTIFICATION**

The undersigned, being a duly licensed architect registered in the State of Utah, has prepared for \_\_\_\_\_ (Project Owner) final plans, working drawings and detailed specifications (and addenda) dated \_\_\_\_\_ in connection with certain real property located at \_\_\_\_\_ known as \_\_\_\_\_ (the Project).

I hereby certify that I am a licensed Architect, License No. \_\_\_\_\_, with the requisite skills and experience to provide the professional services necessary to assist in the product of the units proposed by Project Owner and that I have experience on \_\_ development(s) of similar magnitude and construction type as this Project. I am knowledgeable of all federal, state, and local requirements and the requirements of:

- (i) Architectural Barriers Act
- (ii) Section 504
- (iii) Fair Housing Act Title VIII
- (iv) Americans with Disabilities Act Title II
- (v) State of Utah fair housing laws and building codes compliant with ANSI 117-A.

I certify that the final design, plans, and specifications will comply with these requirements.

I hereby certify that \_\_\_\_\_ (#) fully accessible Type "A" ADA residential unit(s) has been designed for long-term mobility-impaired tenants which meet(s) the minimum federal and state law requirements in those plans and specifications listed above.

The undersigned hereby certifies to the Project Owner and Utah Housing Corporation that the Plans and Specifications for the Project have been duly filed with and have been approved by all appropriate governmental and municipal authorities having jurisdiction over the Project and that the Project as shown on the Plans and Specifications is in compliance with all requirements and restrictions of all applicable zoning, environmental, building, fire, health and other governmental ordinances, rules and regulation. All conditions to the issuance of building permits have been satisfied.

In the opinion of the undersigned, the Project has been constructed in a good and workmanlike manner substantially in accordance with the Plans and Specifications and is free and clear of any damage or structural defects that would in any material respect affect the value of the Project. In the further opinion of the undersigned, all of the preconditions have been met justifying the issuance of:

- (i) The permanent certificate(s) of occupancy for the Project (or the letter or certificate of compliance or completion stating that the construction complies with all requirements and restrictions of all governmental ordinances, rules and regulations), and
- (ii) Such other necessary approvals, certificates, permits and licenses that may be required from such governmental authorities having jurisdiction over the Project pertaining to the construction of the Project.

The Project will be in compliance with all current zoning, environmental and other applicable laws, ordinances, rules and regulations, restrictions and requirements, including without limitation Title III of the Americans with Disabilities Act of 1990 and the Fair Housing Act.

There are no building or other municipal violations filed or noted against the Project. All necessary gas, steam, telephone, electric, water and sewer services and other utilities required to adequately service the Project, are now available to the Project. All street drainage, water distribution and sanitary sewer systems have been accepted for perpetual maintenance by the appropriate governmental authority or utility.

Dated: \_\_\_\_\_

PROJECT ARCHITECT:

By: \_\_\_\_\_ (signature)

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT U (b)**

**GENERAL CONTRACTOR'S CERTIFICATION**

The undersigned has served as general contractor of the real property constructed at \_\_\_\_\_ known as \_\_\_\_\_ (Project name) for \_\_\_\_\_ (Project Owner).

The undersigned hereby certifies to the Project Owner and Housing and Community Development, that the Project was constructed or rehabilitated in conformity with the Plans and Specifications dated \_\_\_\_\_. [PLEASE NOTE: THIS DATE MUST MATCH THE PLANS AND SPECIFICATIONS DATE IN ARCHITECT'S CERTIFICATE]

Dated: \_\_\_\_\_

GENERAL CONTRACTOR FOR PROJECT:

By: \_\_\_\_\_ (signature)

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SERVICE PROVIDER QUESTIONNAIRE**

This form is used by DHCD to determine the capacity of the applicant to meet the needs of residents as described in the Allocation Plan. All applicants requesting consideration for resident services for Special Needs Housing, Support for Families in Transition, or Elderly Housing with Supportive Services must complete and include this form with the application.

Project Name: \_\_\_\_\_

Project Owner Name: \_\_\_\_\_

Service Provider Name: \_\_\_\_\_

**Please attach answers to questions 1 through 11 in narrative form.**

**GENERAL INFORMATION**

1. Summarize the service provider's mission and goals for the current fiscal year.
2. How many years has the service provider been active in delivering social services? If the service provider has no experience in delivering social services, describe the service provider's experience with and knowledge of the community that the service provider will serve. Identify other community agencies with whom the service provider will collaborate.
3. Describe other activities, aside from social services, in which the service provider is engaged.

**EXPERIENCE IN SERVICE-ENRICHED HOUSING**

4. Is the service provider currently involved in service-enriched housing programs? If yes, summarize experience in providing supportive services on-site for residents. Include name of housing development(s), property Management Company, and type of services provided. If no, please describe methods that will be used to increase your company's knowledge and understanding of providing service-enriched housing.
5. Describe collaborative efforts that demonstrate the service provider's capacity to deliver supportive services. Please identify organizations or companies involved in the collaboration and the nature of the organization's involvement.

**PERSONNEL**

6. How many people are employed by the service provider organization?
7. List the job titles of personnel who will work directly with residents of the proposed property. Attach an organizational chart.

## EXHIBIT V (Continued)

8. Attach resume(s) of key personnel who will be responsible for providing services in this proposed development. If new staff must be hired in order to implement the work at this property, attach job description(s), including qualifications and identify resources to pay for cost of salaries.
9. Are key personnel currently involved in service- enriched housing programs at other properties? If yes, explain how many properties, how many total units, where they are located, and how staff's time will be divided between current responsibilities and responsibilities at the new development.

### STAFF PROFESSIONAL DEVELOPMENT

10. List the names of the professional training courses/workshops/seminars that staff who will be involved with this project have completed over the past 3 years. (List job title of staff, training attended, and date of training.)
11. Will participation in this service-enriched housing program require additional staff professional development? If yes, describe training and/or skills that will need to be developed or improved.

### SERVICE PROVIDER'S OFFICE LOCATION(S)

Address of Principal Office:	<hr/>
Name/Title of Contact Person:	<hr/>
Telephone:	<hr/>
Fax Number:	<hr/>
E-mail Address:	<hr/>
Areas Served (County, Neighborhood, etc.)	<hr/>
Other office close to proposed development:	<hr/>
Address:	<hr/>
Telephone:	<hr/>
Address:	<hr/>
Telephone:	<hr/>

- A. Is the service provider a subsidiary of another organization?    Yes    No    (circle one)

If yes, please provide name and address of the parent organization and describe relationship, tax status.

**EXHIBIT V (Continued).**

- B.** Indicate the total number of clients served during the last fiscal year. Identify the amounts and sources of funding.

<b>Client/Service Type</b>	<b>Number Served</b>	<b>Funding Level</b>	<b>Funding Source</b>
Senior/Elderly Services:			
Adult/Family Services:			
Children/Youth Services:			
Addictions:			
MH/MR:			
Education/Job Readiness:			
Long Term Mobility-Impaired Services:			
Other:			

- C.** Has the service provider or any of its current personnel ever been involved in governmental Investigation or judicial action or settlement concerning charges of a violation of local, state or federal laws or regulations concerning discrimination, fair housing violations or other civil rights laws, or concerning violations of federal, state or local regulations regarding use of funds?  
Yes No

- D.** Have any service grants or contracts held by the service provider over the past five years been terminated prior to their expiration dates?  
Yes No

- E.** Have any grants or contracts held by the service provider over the past five years not been renewed upon expiration?  
Yes No

If you answered **yes** to questions C, D, or E, attach an explanation or any supporting documentation necessary to explain the circumstances surrounding these situations.

I certify that the information contained herein and attached is accurate and complete.

Name of CEO/Executive Staff \_\_\_\_\_  
Signature \_\_\_\_\_  
Title \_\_\_\_\_  
Organization Name \_\_\_\_\_  
Date \_\_\_\_\_

## THE GUIDELINES

The design requirements of the Guidelines to which new buildings and dwelling units must comply are presented in abridged form below. Dwelling units are not subject to these requirements only in the rare instance where there are extremes of terrain or unusual characteristics of the site. Such instances are discussed in detail in Chapter One: “Accessible Building Entrance on an Accessible Route.”

### REQUIREMENT 1

**Accessible Building Entrance on an Accessible Route:** Covered multifamily dwellings must have at least one building entrance on an accessible route, unless it is impractical to do so because of terrain or unusual characteristics of the site. For all such dwellings with a building entrance on an accessible route the following six requirements apply.

### REQUIREMENT 2

**Accessible and Usable Public and Common Use Areas:** Public and common use areas must be readily accessible to and usable by people with disabilities. See Chapter Two.

### REQUIREMENT 3

**Usable Doors:** All doors designed to allow passage into and within all premises must be sufficiently wide to allow passage by persons in wheelchairs. See Chapter Three.

### REQUIREMENT 4

**Accessible Route Into and Through the Covered Dwelling Unit:** There must be an accessible route into and through the dwelling units, providing access for people with disabilities throughout the unit. See Chapter Four.

### REQUIREMENT 5

**Light Switches, Electrical Outlets, Thermostats and Other Environmental**

**Controls in Accessible Locations:** All premises within the dwelling units must contain light switches, electrical outlets, thermostats and other environmental controls in accessible locations. See Chapter Five.

### REQUIREMENT 6

**Reinforced Walls for Grab Bars:** All premises within dwelling units must contain reinforcements in bathroom walls to allow later installation of grab bars around toilet, tub, shower stall and shower seat, where such facilities are provided. See Chapter Six.

### REQUIREMENT 7

**Usable Kitchens and Bathrooms:** Dwelling units must contain usable kitchens and bathrooms such that an individual who uses a wheelchair can maneuver about the space. See Chapter Seven.

For further information about the Fair Housing Accessibility Guidelines, call:

U.S. Department of Housing and Urban Development  
(303)672-5430 TDD (303)672-5248

Fair Housing Information Clearinghouse  
1-800-343-3442 TDD 1-800-290-1617



Department of Community and Economic Development

# Compliance Report

Project Name: \_\_\_\_\_

Address: \_\_\_\_\_

Buildings: \_\_\_\_\_

Manager: \_\_\_\_\_

Date: \_\_\_\_\_

Reporting Period: From: \_\_\_\_\_ To: \_\_\_\_\_

SRO	Studio	1	2	3	4
-----	--------	---	---	---	---

No. of Units

No. of HOME Units

### No. Low HOME Rent Units

## No. High HOME Rent Units

[illegible]

A.) Including any owner-paid utilities.

B.) If tenant pays utilities, enter from PHA utility allowance worksheet. If utilities are included in rent, enter "incl."

C.) Enter from HUD published limits for High or Low HOME rent as applicable.

Attach additional sheets and comments as needed.

I certify the above information is true and correct.

Owner or property manager signature: \_\_\_\_\_ Date: \_\_\_\_\_

DCED Reviewer:\_\_\_\_\_

Date Reviewed:\_\_\_\_\_

**POLICY AND PROCEDURES FOR AFFIRMATIVE MARKETING PLAN****Applicability**

All HOME assisted projects with 5 or more units.

**Description**

In furtherance of the State of Utah commitment to non-discrimination and equal opportunity in housing, HOME project owners and contractors administering HOME programs for the state of Utah are required to establish procedures for affirmatively marketing their housing units and for affirmatively marketing loan or housing opportunities under any of the State Housing sponsored programs. The procedures are intended to further the objectives of Title VIII of the Civil Rights Act of 1968. HOME project owners and contractors administering HOME programs will be required to sign an agreement to affirmatively market newly constructed or rehabilitated units beginning on the date on which all the units in the project are completed or in the case of contracted programs, at a time determined to be appropriate by the state. A plan for the affirmative marketing of units must be included with the project application or submittal of qualifications.

**Affirmative Marketing Plans** should include at least the following elements:

1. A process for informing the public and potential tenants/owners about federal Fair Housing laws and affirmative marketing policies by:
  - a. Visiting tenants/owners in buildings selected for rehabilitation and posting signs regarding the Program in each building project. The HUD Equal Housing Opportunity logo must appear on all postings;
  - b. Using the Equal Housing Opportunity logo or slogan in press releases and other written communications used in the marketing of all units.
2. A procedure to inform the public about vacant units or upcoming housing opportunities using such resources as:
  - a. Advertising in the local news media;
  - b. Placing flyers in the local unemployment center, offices of the local housing authority, offices of any other local housing counseling agencies and other agencies serving low-income persons.
  - c. Notifying applicants on the local housing authority's waiting lists about upcoming vacancies.
3. Special outreach may be accomplished through:
  - a. Announcements in general circulation newspapers and/or ethnic, neighborhood, community, or school newspapers;
  - b. Announcements in church or school bulletins, posters, or oral presentations to community organizations;
  - c. Posters publicizing the housing placed in grocery stores, job center sites, community centers, schools, etc;
  - d. Supportive outreach assistance provided by organizations such as social service agencies, housing counseling agencies, or religious organizations; and/or
  - e. Use of community organizations run by minorities or those who primarily serve minorities, minority churches, etc.

4. Project sponsors must keep records for the duration of the HOME period of affordability concerning:

- a. The racial, ethnic, and gender characteristics of:
  - (1) Tenants/owners occupying units before rehabilitation;
  - (2) All tenants/owners-occupying units following completion.
- b. Activities they undertake to inform the general renter public, specifically:
  - (1) Copies of advertisements placed in the news media;
  - (2) Dates on which the owner contacted other agencies;
  - (3) Dates on which the owner contacted the local housing authority;
- c. Activities recipients undertake for special outreach; and
- d. All applicants for tenancy.

### **Monitoring**

DCED will conduct periodic on-site monitoring of each project as described in the regulatory agreement at which time local affirmative marketing results will be analyzed. Effectiveness of affirmative marketing efforts will be assessed by DCED as follows:

- Determine if good faith efforts have been made; and
- Determine the results of the efforts.

DCED will require corrective actions if it is found that sponsors fail to carry out the required procedures.

Corrective actions may include, but are not limited to, withholding unallocated funds, requiring the return of unexpended funds, requiring the repayment of expended funds or requf program income. If, after discussing ways to improve procedures the project owners or program contractors continue to fail to meet the affirmative marketing requirements, DCED will also consider disqualifying them from future participation in the HOME Program.



**State of Utah**

**2005**

**Olene Walker**

**Housing Loan Fund**

**Part 2**

**Multi-Family,  
Non-Rental Special Needs,  
and One to Four Units**

# **MULTI-FAMILY, NON-RENTAL SPECIAL NEEDS, AND ONE TO FOUR UNITS**

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  - I. Market Study
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11. Common Application and Sharing of Information with other Financial Sources
12. Signage

### **REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

#### EXHIBIT A Applications:

1. Multi-Family five or more units with Tax Credits (access at [www.utahhousingcorp.org](http://www.utahhousingcorp.org))

2. Multi-Family Non-Tax Credit (including Four-plex or less with rental income and non-rental special needs)
3. Single Family Rehabilitation, Replacement, Weatherization, and Rural Development (RD)

EXHIBIT B	Safe Harbor Schedule
EXHIBIT D	Market Study Summary Sheet and Certification of Independence
EXHIBIT E	Capital Needs Requirements
EXHIBIT F	Identity of Interest Certification
EXHIBIT G	Pricing Policy/Loan Products/Loan Terms
EXHIBIT H	Final Cost Certification Instructions
EXHIBIT I	General Requirements
EXHIBIT J -1	Project Development Schedule New Construction
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EXHIBIT K	Scoring
EXHIBIT N	Environmental Requirements (Federal HOME funds Only)
EXHIBIT U(a)	Architect's Certification
EXHIBIT U(b)	General Contractor's Certification
EXHIBIT V	Service Provider Questionnaire
EXHIBIT W	Fair Housing Act Design Manual
EXHIBIT Y	Compliance Report
EXHIBIT Z	Affirmative Marketing Plan

**Multi-Family:** Five (5) or more units generating income, and all Crown units.

**Non-Rental Special Needs:** Shelters, group homes, and transitional housing that do not generate income.

**One to Four Units:** Four (4) Units or Less With Rental Income.

1.

**A. Multi-Family and Non-Rental Special Needs Reservation Cycles**

Funds are made available through an application process. Reservations of funds are issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBITS A 1, or A 2**), including all required support and supplementary documentation, to DHCD on or before the dates indicated below. All completed and on time applications will be competitively reviewed by staff who will present the application to the Multi-family Committee (MFC) within the cycle received. Applications must be submitted in the following cycles before 5:00 P.M. (Mountain Time) on the dates specified below:

No.	Submission Deadline	Award Notification	Submit To
1	January 11, 2005	March 16, 2005	DHCD
2	April 6, 2005	June 15, 2005	DHCD
3	July 6, 2005	September 21, 2005	DHCD
4	October 5, 2005	December 14, 2005	DHCD

**B. One to Four Units Reservation Cycles**

Funds are made available through an application process. Reservation of funds is issued during a scheduled funding cycle. The Board shall hold seven cycles for approval of applications.

Applicants applying for funds will submit a completed application (**EXHIBITS A 2, or A 3**), including all required support and supplementary documentation, to DCD on or before the dates

indicated below, before 5:00 P.M. (Mountain Time). All completed applications received by the submission deadlines will be reviewed and presented to the Single-Family Committee (SFC) within the cycle received.

<b>No.</b>	<b>Submission Deadline</b>	<b>Award Notification</b>	<b>Submit To</b>
1	February 1, 2005	March 16, 2005	DHCD
2	March 15, 2005	April 27, 2005	DHCD
3	April 19, 2005	June 15, 2005	DHCD
4	June 14, 2005	July 27, 2005	DCHD
5	August 4, 2005	September 21, 2005	DHCD
6	September 14, 2005	October 11, 2005	DHCD
7	October 11, 2005	December 14, 2005	DHCD

A decision on each application will generally be made no later than the Award Notification Date for each cycle; however, the Board reserves the right to delay the decision to accommodate scheduling and processing.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

## **2. PROJECT SELECTION PROCESS**

### **A. Introduction**

The MFC shall select applications for project compliance with the following process:

- Project Underwriting & Threshold Review (**see section 2.B**)
- Scoring & Documentation Review (**see section 2.C**)
- Market Study & Project Reasonableness Review (**see section 2.D**)
- Calculation of OWHLF Amount (**see section 2.E**)

## **B. Project Underwriting and Threshold Requirements**

Financial feasibility is critical to the long-term affordability of the project. The staff will review the application to determine if it meets minimum feasibility threshold requirements before scoring. The application must satisfy the following criteria:

- Application with supporting EXHIBITS must be complete, signed, and submitted in duplicate along with a digital copy in Microsoft Excel 5.0 –97 SR-2 formats.
- Only 2005 applications with write protection intact will be accepted.
- Project must commit to an extended use period of not less than 50 years.
- Project must provide evidence of site control (i.e. Real Estate Purchase Contract or equivalent).
- Current zoning must permit Multiple Residential use and be consistent with the proposed project. Projects located on property-zoned commercial must have obtained a conditional use permit consistent with the proposed project prior to application deadline.
- Project must demonstrate financial feasibility within the Board established Safe Harbors (**EXHIBIT B**). There may be some deviation with regards to Safe Harbors described in Exhibit B. However, the DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions will be made for RD 515 and Section 8 HAP contract projects that have the opportunity for annual contract adjustments. All other applications below the minimums for these criteria will not be processed. See EXHIBIT B for further discussion.
- It is recommended that new construction projects at a minimum be built in compliance with the current Environmental Protection Agency (EPA) Energy Star Homes Program guidelines (15% more energy efficient than that required by the International Energy Conservation Code 2003) as verified through a certified Home Energy Rating System energy analysis. Whole house air infiltration must meet American Society for Heating, Refrigeration, Air Conditioning Engineers 90.1 version standards (.35 NACH). Total duct leakage must be verified to be not more than 8%. Rehab projects should meet the EPA Energy Star Home Improvements Guidelines (see [www.energystar.gov](http://www.energystar.gov)).

If the developer chooses to build the proposed project in compliance with the current EPA guidelines, additional resources above the current Allocation Plan amount will be provided up to \$2,250 per unit outside a Utah Power service area and up to \$1,950 per unit in a Utah Power service area.

- Projects requesting funds for acquisition and rehabilitation must consider costs per unit consistent with the Rehab Threshold ranges by age as shown on EXHIBIT B, except as otherwise approved by DHCD staff. (See EXHIBIT E for Capital Needs Assessment requirements).

- DHCD staff will inspect all rehab projects upon application, after rehab work has begun, and before the final draw is issued to verify that work was performed according to that itemized in the application or subsequent documents.
- Project owners must certify at time of application that they have inspected 100% of the units for all rehabilitation projects.
- Rehabilitation projects will be required to meet current rehabilitation code.
- Rehabilitation projects that are designed as either RD projects or HUD rent subsidized projects are required to submit all operating statements with application.
- A comprehensive independent third party market study is required on all projects according to the procedures in Section I below. See exception for rehab projects in Market Study section.
- A plan for affirmative marketing of units must be included with the project application. **(EXHIBIT Z)**
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Coverage Ratio. Letters of interest are also required for grants.

#### **C. Documentation Requirements**

The application must include all documentation supporting claims made. Documentation required to meet threshold requirements must be provided or the application will not be considered for funding. The OWHLF Documentation Checklist on page one of the application **(EXHIBIT A, 1 or A,2)** is provided to assist developers in properly documenting the Application. This page must accompany the application. No new documentation will be accepted after the application deadline.

#### **D. Third Party Documentation**

- a. Zoning
- b. Site Control
- c. Environmental assessment (excluding required questionnaire)
- d. Property tax estimate
- e. MOU with housing authority, etc.

#### **E. Independent Comprehensive Market Study**

This is required at the time of application on projects over 25 units. Projects with 25 or fewer units must provide a comprehensive study within 90 days of receiving any conditional approval for funding. Applicants must submit **EXHIBIT D** with the market study.

#### **F. Capital Needs Assessment**

All Rehabilitation projects are required to provide a comprehensive Capital Needs Assessment on the project as a threshold item, see **EXHIBIT E** for details. Projects are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks,

audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by staff as part of the application.

#### **G. Special Needs Units Documentation**

A letter from the developer is required with each application explaining the developer's intention regarding special needs units that is consistent with letters received from the service provider(s).

Service Provider Questionnaires (EXHIBIT V) for each special needs category specified in the application are required to accompany each application, one for a primary service provider and one for a secondary service provider. Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.

#### **H. Environmental review**

Any project utilizing Federal HOME funds will require an environmental review to be completed prior to funding. (EXHIBIT N)

#### **I. Market Study:**

The BOARD is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.

Independent Market Studies are required at time of application on all projects over 25 units. Projects with 25 or fewer units must provide a Market Study before the earlier of 90 days after receiving any conditional approval for funding. Without the statutory required Market Study, the conditional approval of funding is null and void. Shelters, group homes, and transitional housing that do not generate income are required to provide documentation of need for service to the special population.

Rehabilitation Projects may submit applications without a market study where proposed rents do not exceed current rent levels in the project and the project is no less than 75% occupied. An independent third party must certify the current rent and occupancy levels in the project. Applicant may provide current leases, deposit slips and rent rolls with the supporting bank statements for the most recent 12-month period in lieu of a third party certification.

For complete instructions on preparing the market study, see EXHIBIT D.

#### **J. Project Reasonableness**

Projects must be developed and operated within multi-family standard operating safe harbor guidelines (EXHIBIT B). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

MFC review of documents submitted in connection with the OWHLF allocation process is for its own purposes. MFC makes no representations to the owner or anyone else as to the financial viability of any project.



## **K. Calculation of Loan Amount**

The online application will automatically determine the overall score and subsidy limits based on the number of units, the bedroom size and AMI population being served. **(EXHIBIT K)**

Projects are subject to further evaluation to determine the amount of funds that may be requested. The staff is required to make these determinations at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, the staff will consider, among other factors, the following:

- Sources of funds including debt terms, grants, Tax Credit proceed amount and payment schedule.
- Development and construction costs.
- Operational costs.
- Project cash flow.
- Scoring sheet evaluation.

Prior to funding, the applicant must certify to the staff the full extent of all federal, state and local subsidies, which apply (or which applicant expects to apply) to the project.

The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information when requested. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.
- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc..
- The Tax Credit purchase rate and net equity proceeds expected to be generated by their purchase.
- The reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule set forth in **EXHIBIT B** in the process of evaluating feasibility and determining funding needs. Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the staff shall underwrite for purposes of feasibility and will determine the amount of funds and the loan terms it will recommend for each application based on the pricing policy, loan terms, and loan products **(EXHIBIT G)**. A similar analysis will be completed at the approximate date of allocation of the funding amount.

## **L. Affirmative Marketing Plan**

In furtherance of the State of Utah commitment to non-discrimination and equal opportunity in housing, HOME project owners and contractors administering HOME programs for the state of Utah are required to establish procedures for affirmatively marketing their housing units and for affirmatively marketing loan or housing opportunities under any of the State Housing sponsored programs (see **EXHIBIT Z** for details).

## **3. Accessible Units**

### **Type “A” Fully Accessible ADA Units for Long Term Mobility-Impaired Tenants**

Applications that specify one or more ADA set-aside units for Long Term Mobility-Impaired Tenants are required to certify that those units are:

- Fully accessible Type A units;
- (Constructed as specified in) Accessible and Usable Buildings and Facilities Standard of the ICC/ANSI A117.1-1998 (International Code Council/American National Standards Institute), commonly known as the “Ansi Standard” which is referenced in both the 1997 UBC and 2003 IBC, which has been adopted by the State of Utah.
- Certified using the Architect’s Certification (Exhibit U (a) signed by a licensed architect and the General Contractor’s Certification (Exhibit U (b) signed by the Project’s General Contractor to be submitted with the Final Cost Certification.
- Filled with qualified households according to Section 5.B of the Compliance Monitoring Plan which also explains coordinating with referring entities to fill vacant ADA Units for Long Term Mobility-Impaired tenants.
- In corresponding ratio to the general mix of unit types in the project where there is more than 1 unit set aside as ADA, i.e., if there is an equal number of 2 and 3-bedroom units in the building, one 2-bedroom ADA unit and one 3-bedroom ADA unit would be set aside.

In addition to the above-specified units, all Multi-family buildings are required to follow the 1997 Uniform Building Code and the 2003 International Building Code, which are inclusive of the Fair Housing Act. For exceptions, see IBC 1107.5.4. See Exhibit W, Fair Housing Act Design Manual, Part One, which can be found in its entirety at the following website: [www.huduser.org/publications/destech/fairhousing.html](http://www.huduser.org/publications/destech/fairhousing.html). This manual also explains the Type A, or fully accessible unit requirements.

## **4. DEVELOPER, CONTRACTOR AND GENERAL REQUIREMENT FEE LIMITS**

Fee limits have been established related to the development of the project, including but not limited to:

- Developer over-head and profit.

- Contractor over-head, profit and general requirements.
- Development consulting fees.

All development fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the OWHLF. The Final Cost Certification (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts whether with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

The Board has established the following fee limits for the purpose of determining:

- The maximum loan allocation permissible for a project (based on a project's eligible basis) and
- The minimum loan allocation required for a project (based on a project's funding gap).

**A. Developer Fee**

For the purpose of this section, "Developer Fee" shall mean all developer over-head, profit and consulting expenses incurred by the project whether provided by the developer or another party.

**B. Contractor Fee (Builder Fee)**

"Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including all contractor over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements.

**C. General Requirements**

"General Requirements" will be limited to those items and limits for eligible basis set forth in **EXHIBIT I**. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The staff shall evaluate projects for compliance with fee limits using the "New Construction – Standard" or "Acquisition Rehab. – Standard" convention as applicable unless the Contractor Fee and General Requirements are not independently certified as part of the Final Cost Certification. When the Contractor Fee and General Requirements are not independently certified, the staff shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship. The staff reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the OWHLF. Applicants must complete the Identity of Interest Certification (**EXHIBIT F**) in the application to disclose all interested party relationships.

### Developer/Builder Fee Calculations

Type	Limits of Eligible Basis (Not Actual Fee)		
New Construction	Percentage Calculation (26 units or more)	Small Percentage Calculation (25 units or less)	Maximum Fee Ceiling Per Unit
Developer and Contractor Fees Combined	18% of Developer Profit Basis*	25% of Developer Profit Basis*  20% of Developer Profit Basis in 130% Bonus Areas/QCTs	First 10 Units:      \$18,000
			Next 20 Units:      \$15,000
			Remaining number of units in project:      \$12,000
			Maximum fee:      \$1,250,000
General Requirements	6% of Direct Construction		

Type	Limits of Eligible Basis (Not Actual Fee)		
Acquisition & Rehab	Percentage Calculation (26 units or more)	Small Percentage Calculation (25 units or less)	Maximum Fee Ceiling Per Unit
Developer and Contractor Fees Combined, Rehab Portion	18% of Developer Profit Basis*	25% of Developer Profit Basis*  20% of Developer Profit Basis in 130% Bonus Areas/QCTs	First 10 Units:       \$18,000
			Next 20 Units:       \$15,000
			Remaining number of units in project:   \$12,000
			Maximum fee:       \$1,250,000
Acquisition Fee (4% credits in eligible basis)	6% of Building(s) Acquisition Cost		
General Requirements	6% of Direct Construction		

\*Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency +A&E – Impact Fees]

\*\*Building Acquisition Cost = [purchase price – land value – related party fees and commissions]

General Requirements – See Exhibit I.

## 5. APPROVAL OF FUNDING REQUEST

After each application has been processed and the funding amount has been determined, staff will present projects to the MFC at its regularly scheduled meetings. The MFC shall hear

comments from applicants at the committee meetings as required to best inform the full board on the project financial structure and general parameters.

A copy of the MFC recommendation, with all conditional requirements imposed by the MFC and staff shall become a permanent record in the applicant's file. This recommendation will then be presented to the board at the regularly scheduled quarterly meetings. The board will either approve, deny, or delay the application. A copy of the Individual Project and Signature Form shall be provided at the conclusion of the meeting and the Board Chair and the applicant will sign it at that time.

It is this document that shall become the basis for the terms as outlined in the "Loan Documents" to be prepared by staff. No allowances or exceptions to the motion of the board shall be allowed. An applicant may request a change in the terms as outlined in the original motion of the board by reapplying to DHCD, with all updated, applicable financial information included, in subsequent funding rounds.

## **6. APPEALS PROCESS**

**During the scoring process, the applicant will receive notification of any discrepancies between OWHLF'S score and the score submitted by the applicant. A reasonable period of time will be provided for the applicant to defend its submitted score using solely the information originally provided in its Application.**

## **7. PROJECT STATUS REPORTING**

All projects receiving funding approval will be required to provide status reports in a frequency and format prescribed by the staff.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, reports on construction progress, site control, and an update of cost for analysis.

Projects that have not begun construction within one year from the date of approval for funding must submit to staff a summary of significant progress made to date and an explanation of why the project is not moving forward. Staff will present this information to the MFC. The MFC has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the then current project conditions.

A Project Development Schedule **(EXHIBIT J)** must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

## **8. COMPLIANCE MONITORING**

This Compliance Monitoring Plan (the "Plan") sets forth the procedures that DHCD shall follow, and those procedures that an owner of an OWHLF project shall be required to follow, to satisfy the requirements and regulations applicable to Federal HOME and state funds. As a condition to the allocation of OWHLF funds, owners are required to enter into a binding agreement to comply with the terms and conditions of this Plan. This Plan is part of the OWHLF's annual allocation plan for the State of Utah.

### **A. Record Keeping Requirements**

A Project Owner is required to keep separate records for each qualified low-income building in the project that show for each year in the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
2. The rent charged on each residential unit in the building (including any utility allowances);
3. The number of residential units that are low-income units and the number that are HOME assisted units (state, county, city, or consortium);
4. The number and ages of occupants in each low-income and HOME unit;
5. The status of all low-income and HOME units needs to be tracked on the Compliance Report (See Exhibit Y). The information on this report that is collected includes move-in/ move-out dates, household size, gross income, AML, re-certification date, and other rent related information. Please see the instructions for filling out this form immediately following the exhibit;
6. The annual income certification of each low-income and HOME tenant per unit;
7. Documentation to support each low-income tenant's income certification (for example, a third party verification of employment from the tenant's employer or other source of income, or certification of zero income from the tenant).

For purposes of the plan, tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8 of the Housing Act"), and not in accordance with the determination of gross income for federal income tax liability. As required by the Final HOME Rule, income determinations should be based on the anticipated income for the next twelve months.

## **B. Record Retention Requirements**

An owner is required to retain the records described in Section A in accordance with CFR 24 Part 92.508. These requirements establish retention requirements as follows:

1. All Records pertaining to each fiscal year of HOME and Low-income funds must be retained for the most recent five-year period, except as provided in section 2 below.
2. Records may be retained for five years after the project completion date; except that records of individual tenant income verifications, project rents and project inspections must be retained for the most recent five-year period, until five years after the affordability period terminates.

## **C. Certification Requirements**

1. An owner is required to file with DCED at least annually, the Compliance Report (Exhibit Y), for the preceding 12-month period. In filing the information contained within, the owner certifies that the information is true and correct and that the supporting information as been collected and retained.
2. The owner for each low income or HOME assisted unit in the project must obtain the annual income certification. This information must be obtained for each tenant eighteen years of age and older prior to occupancy of any low-income unit and annually thereafter. Certifications shall be kept in each individuals tenant file along with

other tenant information including but not limited to income verification, lease documentation, and inspections.

#### **D. Review and Inspection Requirements**

An owner shall permit, and DCED shall have the right to perform, an on-site property or file inspection of any OWHLF project, at least through the end of the compliance period and thereafter for such period determined by DCED not to exceed the extended use period of the buildings in the project. DCED will review the information required to be submitted on an annual basis. Verification of information may be required and reviewed at the DCED staff discretion. DCED will inspect HOME projects in accordance with 24 CFR Part 92.504. These sections require property inspection based on the following timeline:

<u>Number of units in the property</u>	<u>Inspection Required</u>
1-4	Every 3 Years
5-25	Every 2 Years
26 or more	Annually

#### **E. Frequency and Form of Certification**

The certification and review requirements shall be made as described in section C and D through the compliance period. The certifications and reviews may be completed more frequently than on a twelve-month basis, provided that each twelve month period is subject to certification.

The staff monitors projects for compliance. Staff may report non-compliance to the division administration, the Board, HUD, and the Attorney Generals Office.

#### **9. FEES**

None

#### **10. FINANCIAL SUBSIDY REVIEW**

Staff shall conduct "subsidy layering" reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") inclusive of HOME, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (a) the amount of equity capital contributed to a project by investors, (b) the project costs including developer fees, and (c) the contractor's profit, syndication costs and rates. In the course of conducting the review, the staff may disclose or provide a copy of the application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. DHCD staff will accept a review completed by Utah Housing Corporation.

#### **11. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS, Utah Housing Corporation (DHCD), investors and others as determined by the staff in evaluating and tracking the progress of the project.

The staff complies with the provisions of GRAMA and Freedom of Information Acts.

**12. SIGNAGE**

The project owner must include Olene Walker Housing Loan Fund's name and logo on project signage during construction and press releases/interviews as the allocator of Loan Fund monies as applicable.

**2005**  
**Olene Walker**  
**Housing Loan Fund**



# **Part 3**

## **Single Family Program Policies**

### **Rehabilitation and Reconstruction, Home Ownership Development, HomeChoice, And Down Payment Assistance**

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## **ADMINISTRATION**

### **1. PURPOSE OF PROGRAMS**

The Single Family Programs are designed to improve the condition of housing and the quality of life by providing financial assistance to qualified low-income families and individuals in Utah.

Neighborhood Revitalization: Addresses "street presence" in our community, capital improvements, and economic development. Neighborhood revitalization increases the quality of homes and housing stock.

Repair of substandard units in rural areas: Preserves the neighborhood homes.

Assistance to special populations: Is tailored to meet a diverse range of objectives for low-income residents. These objectives include accessible units, displacement prevention, emergency repair, or other specific needs.

### **2. ADMINISTRATION FEES**

Certain agencies may be eligible for project administration. Administrative fees are limited to \$25,000 per fiscal year. An additional 10% of the project cost may be allowed on rehabilitation or reconstruction contract for project management. Exception: Administration fees are not allowed on the Home Ownership Program.

Loan and grant funds are made available through an application process through provider agencies for financial assistance from DHCD.

The agencies will have on site administrative supervision, over-site, and compliance responsibilities for each project. These agencies may include:

- Public Housing Authorities
- Counties, cities and towns
- Association of Governments
- Non-Profit Organizations
- Indian Tribes

Staff will prepare an annual administrative and production report to the Single Family Committee and the OWHLF Board. The report will be reported on a fiscal year basis.

### **3. TECHNICAL ASSISTANCE FUNDS**

Technical funds will be available for training and capacity building with the intent of assisting Association of Governments, housing authorities and other non –profits to increase their capacity to maintain and produce low income housing in rural locations through out the State of Utah. The assistance provided will include both financial and technical funding. For the 2005 program year the assistance will be \$60,000.

### **4. AGENCY RESPONSIBILITIES, OUTREACH AND MARKETING**

The agencies must demonstrate the ability to operate the Single-Family programs with the following:

- Business management and administrative experience
- Background and experience in construction and implementation
- Experience working with residential loans and related financial transactions
- Obligation to administer the program with a legal contract
- Accounting of funds for compliance of federal and state funds
- Compliance with federal and state program regulations and laws
- Attendance at housing rehabilitation and reconstruction training programs, and technical assistance programs

The marketing and outreach efforts should insure:

- Fair and equal housing opportunities for all eligible clients to participate
- There are sufficient applications to meet the housing goals of the Consolidated Plan

Each agency is responsible for soliciting applications through outreach and marketing to potential clients within their service area. They may advertise the program through newspapers, written communication to civic leaders, minority and community groups, published flyers, and neighborhood campaigning.

Methods and procedures for application intake may include rating and ranking procedures where the applications exceed the available funding and meet the housing needs as identified in their regional Consolidated Plan by:

- Geographical preferences for specific neighborhoods on a revolving basis
- Targeting populations as elderly or disabled population, or lowest of incomes. (This approach may not be perceived as sufficiently open and fair)
- First-come, first-served to ensure fairness, and applications will be date stamped
- Lottery when the program is so great. (This process is seen as most as fair and open)

### **5. COMPLIANCE MONITORING**

Monitoring will be completed to ensure program compliance. Unresponsiveness and non-compliance will be reported to DHCD administration, Board, HUD, and the Attorney General's Office as required.

Monitoring to ensure program compliance will include, but is not limited to:

- Consistency with Regional and State Consolidated Plans
- Program targeting
- Income verification
- Property information including property standards to be met, condition of home, location, and value
- Funding investment in the housing unit
- Minimum and maximum subsidy
- Eligible costs
- Administrative requirements
- Construction management
- Procurement processes of the agency for selecting contractors, etc.
- Legal documents
- Loan closing, processing and servicing
- On site inspections
- Program record keeping
- Financial management
- Other Federal and State requirements, including any items included as assurances per contract with DHCD
- Resale/recapture options
- Written agreements, contracts, and amendments

## **6. RECORD KEEPING**

Each agency must establish and maintain sufficient records and provide access to the records to enable the State to determine whether the agency has met the requirements of each program.

Period of Record Retention: All records must be retained for the most recent five-year period following the close of the project, except for the following:

- Homeownership: five years, except for the documents imposing recapture/resale restrictions that must be retained for five years after the affordability period ends.
- Written agreements must be retained for five years after the agreement terminates.
- If any litigation, claim, negotiation, audit, monitoring, inspection or other action has been started before the expiration of the required record retention period records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

## **7. REVIEW AND INSPECTION REQUIREMENTS**

The agency will permit, and DHCD will have the right to perform, an on-site property and/or file inspection of any OWHLF projects through the compliance period. Verification of information may be required and reviewed at the DHCD staff discretion. DHCD will inspect the projects in accordance with 24 CFR Part 92.504 and all applicable State contract assurances.

## **8. PROJECT REPORTING**

All projects receiving funding approval will be required to provide quarterly status reports. DHCD can request other project information at any time.

Projects that have not begun construction within one year of the date of approval for funding must submit a summary of significant progress made to date and an explanation of why the project is not moving forward. The staff has the authority to extend the period of funding or to rescind the approval and require the project to reapply under the current project conditions.

The information requested will be project specific and may include such items as:

- Zoning approvals, site control
- Reports on construction progress
- An update of cost for analysis
- Reports on application process
- Other project criteria that has changed

## **9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES**

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. DHCD complies with the provisions of GRAMA and Freedom of Information Acts.

## PROJECT SELECTION

### 1. PROJECT SELECTION REQUIREMENTS

Agencies will submit their evaluation criteria required with each application. Application selection will be based upon compliance of the proposed project to the program criteria, feasibility, and merit of the project and will include the review of the following:

- Complete Application with documentation required in the check list
- Agency recommendation to the OWHLF for the project summarizing the need
- Environmental review (**EXHIBIT N** when using HOME funds)
- Project underwriting, threshold requirements and the front and back end ratios as stated in each projects loan and pricing policies (see Exhibits O, Q, R, S,)
- Estimated closing costs
- Contingency reserve
- Sources of other funds including debt terms, grants and payment schedules
- Self-help equity and family donations
- Debt structure and loan terms
- Construction details and costs
- Life and safety issues including other housing deficiencies in the work description and property standards
- Cost effectiveness of any rehabilitation in regards to the loan to value and bids
- Credit history
- Preliminary title report
- Homeowners insurance
- Property values
- Income and Area Median Income guidelines
  - The cost reasonableness and completeness of the proposed construction, acquisition or development
  - Contractor requirements and insurance
  - All other documentation required in each application

Agency staff will visit the site and conduct an inspection of the property. DHCD staff may also visit the site in order to make a recommendation to the Single Family Committee indicating the appropriateness of the rehabilitation based on the existing condition of the property.



Individual projects will be considered on a first come basis from all the agencies.

## **2. PROJECT REQUIRMENTS**

*Borrower and all entities associated therewith (including without limitation developer, and sponsor) must be current on all outstanding OWHLF or DCD obligations at time of application, reservation and funding of loans.*

The Documentation File Checklist is provided to assist agencies in properly documenting the application.

Applications will include all documentation to meet threshold requirements. No new documentation will be accepted after the application deadline, unless staff requests clarification. Incomplete applications will not be accepted.

Third party documentation is required.

Prior to funding, written documentation will be submitted to comply with all federal, state and local requirements.

All completed applications received by the submission deadlines will be reviewed on a first come basis for the Single-Family Committee presentation.

All applications approved by the Single-Family Committee will be forwarded to the Board for review and approval. Projects tabled or rejected by the Single Family Committee will not be presented to the full board. See the grievance policy in the administrative section of this allocation plan.

A decision on each application will generally be made no later than the Award Notification Date for each cycle. However, the Board reserves the right to delay the decision to accommodate scheduling and processing.

A grievance procedure is being developed along with language for preclusion of agencies or developers speaking to board members about a project until public comment in the committee or board meeting. This will be inserted in the main body of the administrative section.

Property types can be a single-family property (one unit), a two-to-four-unit property, a condominium unit, a cooperative unit, or a unit in a mutual housing project (if recognized by law), and a manufactured home.

Current zoning must permit single residential use for the proposed project site.

### 3. OWHLF RESERVATION CYCLES

**HomeChoice and Down Payment Assistance Programs:** Applicants applying for funds will submit an application and required documentation through the provider agency and their approved private lender, including all required support and supplementary documentation.

#### **Rehabilitation, Reconstruction and Home Ownership Development Programs**

Agencies will submit, to DHCD, a completed Rehabilitation and Reconstruction application (**EXHIBIT A3**), or Home Ownership Development application (**EXHIBIT A4**) on or before the submission deadlines.

Application will include all required support and supplementary documentation, to DHCD on or before the dates indicated below, before 5:00 p.m. (Mountain Standard Time).

If the Board should find it necessary to modify the deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

Submission Deadline in 2005	Award Notification in 2005
February 1	March 16 - Board Meeting
March 15	April 27 - Interim Meeting
April 19	June 15 - Board Meeting
June 14	July 27 - Interim Meeting
August 4	September 21 - Board Meeting
September 14	October 11 - Interim Meeting
October 11	December 14 - Board Meeting

### 4. PROJECT COSTS

**New Construction:** Funds may be used for new construction in ownership housing. Any project that includes the addition of dwelling units outside the existing walls of a structure is considered new construction.

**Rehabilitation:** This includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation. Rehabilitation may include adding

rooms outside the existing walls of a structure, but also adding a housing unit that is considered new construction.

**Reconstruction:** This refers to building a structure on the same lot where housing is standing at the time of project commitment. It is also to build a new foundation or repair an existing foundation. It also includes replacing a substandard manufactured house with a new manufactured house. During reconstruction, the number of rooms per unit may change, but not the number of units.

**Site Improvements:** Improvements must be in keeping with the surrounding standard projects. They include new, on-site improvements (sidewalks, utility connections, sewer and water lines, etc.) where none are present. They are essential to development or repair of existing improvements. Building new, off-site utility connections to an adjacent street is also eligible. Off-site infrastructure is not eligible.

**Acquisition of Property:** Acquisition of existing standard property, or substandard property in need of rehabilitation for the ownership program.

**Acquisition of Vacant Land:** Funds may be used if construction will begin within 12 months of purchase and all other funding has been applied for or committed to the project before the release of funds, unless approved by the committee. OWHLF funds must be in first lien position. Land banking is prohibited.

**Demolition:** Funds may be used if construction will begin within 12 months.

**Refinancing:** Funds may be used to refinance existing debt on a single-family, owner-occupied property in connection with rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable.

#### **Eligible Closing Costs**

- Credit reports
- Fees for acceptable title evidence and legal fees related to the title report
- Fees for recording and filing legal documents related to the loan
- Attorney's Fees
- Appraisal fees
- Energy Audit

#### **Eligible Rehabilitation and New Construction Cost**

- Property and Rehabilitation Standards
- Cost Effective Energy Standards including items that will achieve an Energy Star rating
- Historic Preservation Standard
- Environmental requirements
- Flood Proofing requirements
- Lead-Based Paint remedying
- Termite elimination
- Physically Handicapped Accessibility requirements
- Local and State Code requirements
- Architectural and engineering fees
- Contingency Reserve of 10%
- Payoffs to other mortgage holders to make loan financially feasible
- Appliances

#### **Ineligible Costs**

- Luxury items
- Purchase, installation, or repair of personal property
- Funds to pay the borrower or family members for their labor
- Payments to lien holders other than first mortgage

#### **Property Standards**

Properties must meet the following minimum standards:

- Local housing codes
- Building codes
- Rehabilitation Standards (Specifications for methods and materials)

### **5. CONTINGENCIES AND CHANGE ORDERS**

A construction contingency of 10 percent of hard costs of a project may be added to individual contracts, and loan documents. Change orders must be approved with signatures of the homeowner, contractor, and agency. Change orders will include the description of the specific changes, justifications, and costs from the agency and contractor.

For change order the documentation from the local agency will include but not limited to:

- Written summary of an on site review
- Statement from the contractor of the need, justification and cost

- Change Order Form signed by the homeowner, contractor and agency

If contingency is not needed the amount will reduce the principal balance of the loan.

Change orders in excess of the 10 percent contingency allowed will be referred to the SFC. The homeowner's debt structure and the ability of the increase of the loan will be reviewed. If the change order is increased the loan documents will be updated. Loans will include escrows for payment of taxes and insurance.

## **6. SELECTION OF CONTRACTOR AND BUILDER**

Agency will analyze and compare several bids to assess:

- Cost reasonableness
- Adherence to the scope of work
- Ability to meet construction deadlines
- Contractor references

The contractor's bid will be consistent with market rates for:

- Labor and other wage expenses
- Materials
- Contractor over-head, profit

## **7. DEVELOPER FEE LIMITS ON HOME OWNERSHIP DEVELOPMENT**

The maximum fee limit per unit is 10% of Costs (land not included).  
Costs = [Site Work + Construction + Contingency + A&E + Impact Fees]  
unless a waiver is requested and granted by the staff.

## **8. SCOPE OF WORK**

The proposed work must be adequate to extend the useful life of the property and to protect the value of the security for the term of the loan.

Property must have repairable deficiencies for any rehabilitation work to be authorized.

If additional funds, beyond the OWHLF loan are needed to complete the rehabilitation, the borrower will submit commitment letters with loan amounts and terms. The additional funds will be a part of the underwriting calculations. These additional funds may be cash on deposit, cash on hand; cash surrender value of life insurance, proceeds from the sale of marketable securities or other assets, gifts of cash, or cash equivalents.

Property Standards: Any rehabilitation work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes, and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state, and local laws and codes.

It is recommended that new construction projects at a minimum be built in compliance with the current Environmental Protection Agency (EPA) Energy Star Homes Program guidelines (15% more energy efficient than that required by the International Energy Conservation Code 2003) as verified through a certified Home Energy Rating System energy analysis. Whole house air infiltration must meet American Society for Heating, Refrigeration, Air Conditioning Engineers 90.1 version standards (.35 NACH). Total duct leakage must be verified to be no more than 8%. Rehab projects should meet the EPA Energy Star Home Improvements Guidelines (See [energystar.gov](http://energystar.gov)).

To encourage Energy Star rated homes in all single-family new construction, a grant of up to \$2,850, less \$300 per home may be given if the home is inside the Utah Power and Light service area, unless staff grants a waiver.

## UNDERWRITING

### 1. LOAN UNDERWRITING GUIDELINES

The Board makes no representations to the owner or anyone else as to the financial viability of any project.

The guidelines are to assist in using sound judgment in applying the principles established.

**Amortized Loans and Loan Underwriting Ratio:** The forms of assistance to keep the loan with the loan to debt ratios of each program are the following:

- Grants
- Deferred-payment loans
- Non-interest-bearing loans
- Interest-bearing loans

In order to leverage interest subsidies and loan guarantees may be used.

- Interest subsidies: also referred as interest reduction grants and interest rate buy-downs that are paid directly to the lender to buy down the interest rate.
- Loan guarantees: would ensure payment, making a risky loan acceptable to a private lender and may not exceed 20% of the total outstanding principal guaranteed.
- Equity investments: are made in return for a share of ownership.

The housing expenses includes:

- Monthly principal and interest payments
- Mortgage insurance premiums for all current and proposed debt secured by the property
- Rehab Loan
- Payments for real estate taxes and insurance

Total Monthly Debt (TMD) includes:

- Monthly principal and interest payments, mortgage insurance premiums, for all current and proposed debt secured by the property, Rehab Loan; and payments for real estate taxes and insurance
- Special assessments
- Payments on installment loans and monthly payment on revolving charge account debts with at least 6 remaining payments
- Alimony, child support or maintenance payments

- Health insurance

## **2. CALCULATING THE OWHLE AMOUNT**

Evaluations to determine the amount of funding will be made upon review of application and upon approval of funding by the Board.

The evaluation will determine the amount of funds and the loan terms for each application based on the pricing policy and loan products specific program (see Exhibits O, Q, R, S,).

Grants or a deferred loan may be given to keep the borrower's loan to debt ratio no higher than the limits allowed in the specific program.

## **3. SUBSIDY REVIEW and THE 95% OF MEDIAN PURCHASE PRICE**

The maximum per unit subsidy is based on the Section 221 (d) (3) program limits for the area as published by HUD each year.

The housing must be modest and the price cannot exceed 95% of the median purchase price for the area as described in the HUD- FHA 203 (b) Limits as published by HUD each year.

## **4. FINANCIAL LEVERAGING**

Agencies will coordinate and leverage funding with organizations operating in the same area.

Letters of interest are required from financial sources for the project. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Service Coverage Ratio floor. Letters of interest are also required for grants.

## **5. RECAPTURE OR RESALE**

Recapture option is the mechanism to recapture all or a portion of the direct funding subsidy.

Resale option ensures the assisted unit remains affordable over the entire affordability term.

## **6. PROJECT APPROVALS**

### **Rehabilitation, Reconstruction And Home Ownership**

After each application has been reviewed and the funding source has been determined, staff will present the projects to the SFC. The SFC may hear comments from the agency at the committee meetings to best inform the full Board on the project financial structure and general parameters.



Following the SFC meeting, the "Individual Project and Signature Form" with all contingent requirements by the SFC will be presented to the Board by the Single Family Committee Chair. The final motion will be recorded and the Board Chair and the agency will sign the Individual Project and Signature Form.

The Individual Project and Signature Form is the document that contains the terms of the Loan to be prepared by the agency. No allowances or exceptions to the motion of the Board will be allowed. An approval letter specifying the terms will be sent to the agency.

### **Down Payment Assistance**

The Agency will approve eligible applications for funding.

### **HomeChoice**

Homebuyer Education - all borrowers will participate in the program that meets the standards of the Fannie 97sm Mortgage product. The HomeChoice Committee will approve eligible applications for funding.

Early Delinquency Counseling - borrowers must sign an agreement to participate in delinquency counseling in the event of default.

Verification of Income - lenders will verify the borrower's income for two full years and verify any special resources of income have a remaining term of at least three years from the date of the mortgage application.

Fannie Mae and approved lenders will determine the feasibility and merits of the project, but will also underwrite to OWHLF, State, and Federal requirements.

Projects will be brought before the OWHLF Board for ratification. The information provided to the DHCD staff will list:

- Borrower address and family size
- Type of disability and which family member is disabled
- Accessibility construction and costs
- Annual income and AMI
- Purchase price, loan type, loans and interest rates of each loan
- Monthly payment
- Lender
- Funding date
- Other funds



## **FINANCING**

### **1. LOAN SETTLEMENT**

The escrow agent will be a title company. Following the completion of the loan closing the escrow agent will immediately record the Loan documents requiring recordation, disburse any funds required to be disbursed, and issue the title insurance policy.

**Title** is fee simple and must be cleared of all extraordinary liens and encumbrances such as judgments, past due property taxes, and mechanics liens, etc.

#### **Insurance**

A current certificate of fire or homeowners insurance will be submitted before the loan is closed. If the property is located in a flood plain, flood insurance must be obtained.

#### **Escrow Accounts**

Escrows for payment of taxes and insurance will be collected.

#### **Collections**

DHCD will pursue foreclosure only when all attempts at negotiating a new loan payment schedule have failed.

#### **Loan Payoffs and Reconveyance**

When loans become paid in full the DHCD must reconvey the trust deed associated with that loan to the property owner.

#### **Death of Borrower**

The entire loan is due and payable upon the death of the borrower.

#### **Refinance of Loan**

A borrower may experience a change in circumstances that negatively affects his or her ability to pay the loan obligation. DHCD may agree to refinance the remaining outstanding balance at a more favorable interest rate or term, provided the borrower qualifies under the current income guidelines.

#### **Due and Payable**

The total amount of the loan becomes immediately due and payable when:

- The property is sold, conveyed, disposed, assigned, or transferred.
- The owner of the property ceases to make the property their primary residence.

## DEFINITIONS

**Adjusted Gross Income** is used for determining income as defined for purposes of reporting under the Internal Revenue Services (IRS) Form 1040 series for individual federal annual income tax purposes.

**Borrower** is a one or more individual who receive approval of a Single Family loan.

**Dwelling Unit** is a residential space which, after rehabilitation as a place of permanent habitation or abode for Household of one or more related or non-related individuals.

**FHA Mortgage Limits** HUD Mortgage Maximums set in the Counties for the current year.

**Homeownership** is in fee simple title or a 99-year lease.

**Household** Is one or more persons occupying a housing unit

**Household Income** is the annual income of all persons 18 years of age or older living in the property. Income will be calculated using HUD adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.

**Initial Inspection** identifies property deficiencies such as violations of housing standards, incipient housing and code violations, site considerations such as surrounding properties, and remains of previous structures, and buried structures such as tanks.

**Incipient Deficiencies** is the problems or defects which, if not corrected, would reasonably be expected to deteriorate into actual deficiencies under the Local Rehabilitation Standards within two years.

**Interest Rate** is the stated rate of interest charged to Borrowers on the outstanding principal balance of a loan and is dependent on the Borrower's income and the Pricing Policy of each program.

**Loan Term** will be determined by the amount of monthly payment Borrowers qualify for.

**Loan to Value Ratio** is 95% of "after rehab" value. The value of the property must support the loan.

**Reconstruction** is replacing a substandard unit of housing with another standard unit of housing and includes manufactured housing. Reconstruction is rehabilitation for these purposes.

**Rehabilitation** is the improvement or repair of an existing structure to provide decent, safe and sanitary dwelling units. This must include the provision of such sanitary or other facilities as are required by applicable HUD Property Standards and Local Rehabilitation Standards. Rehabilitation requiring work so excessive as to be equivalent to new construction or reconstruction of the property may be demolished and rebuilt under the Home Program Reconstruction Guidelines.

**Rehabilitation Escrow Account** means an account that must be established for the receipt and disbursement of Rehabilitation Loan funds on behalf of Borrowers.

**Stable Monthly Income** means the Borrower's verified gross income that is likely to continue, based on foreseeable economic circumstances.

**Technical Assistance** is provided to assist agencies in, but not limited to: property inspections, cost estimates, work descriptions, bidding and construction oversight.

**Total Debt on the Property** is any liens superior to the Loan (principal only) secured by the property and the principal of the Rehab Loan.

**Underwrite** is the process of assessing the financial risks of a particular Loan. This is based on an analysis of; (1) the need and proposed work for rehabilitation; (2) the requirements and guidelines are met; (3) the likelihood the Borrower will repay the Loan, including the Borrower's ability to afford the loan and their credit worthiness; (4) the security for the loan

**2005**

**Olene Walker  
Housing Loan Fund**

**Part 4**

**Pre-Development**

# **PRE-DEVELOPMENT**

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### Section

1. Objectives
2. OWHLF Reservation Cycles
3. Guidelines
4. Match Requirement
5. Funding Use

**REFER TO ADMINISTRATIVE PROCEDURES FOR ALL EXHIBITS REFERENCED**

EXHIBIT A, 5 Application

**Pre-Development:** Non-recourse loans for project development preceding permanent financing.

## **1. OBJECTIVES**

- a. Participate and promote the early finding of development projects in the under-served areas of the state.
- b. Provide pre-development loans for non-profit, for-profit, and CHDO developers for projects that meet the eligibility guidelines of the OWHLF Allocation Plan, are viable, and will be completed in two years.

## **2. OWHLF RESERVATION CYCLES**

Funds are made available through an application process. Applicants applying for funds must submit a completed application (**EXHIBIT A, 5**), including all required supporting and supplementary documentation, to DHCD staff. Staff will competitively review all completed applications.

A decision on each application will generally be made within a two-week period from the date received; however, the staff reserves the right to delay the decision to accommodate scheduling and processing.

## **3. GUIDELINES**

- a. The maximum loan amount is \$20,000.00 per project for an 18-month term.
- b. A 15 percent set-aside is allocated for CHDO's at a 3 percent interest rate.
- c. A 50 percent set-aside is allocated for for-profit developers at a 4 percent interest rate.
- d. A 30 percent set-aside is allocated for non-profit developers at a 3 percent interest rate.
- e. All monies will go out as non-recourse loans, payable in full at close of construction.
- f. A borrower in default will be disqualified from being awarded a pre-development loan on another project until such time as the original loan is paid in full with all applicable interest.
- g. If borrower defaults on a pre-development loan and then applies for any loan funds on any project, the developer will be required To pay the pre-development loan with all applicable interest out of proceeds of the OWHLF term debt deducting it from their developer fee.
- f. The loan will have an 18-month term, with potential for extension. Written request for extension needs to be submitted to the committees.

## **4. MATCH REQUIREMENT**

- a. The match requirement shall be two to one, with two being the loan fund contribution, one the match money.
- b. Match sources include: developers' resources, local funding, Federal Home Loan Bank Challenge Grants, or other sources reviewed and accepted by the committees.



## **5. FUNDING USE**

- a. Land options or escrow accounts related to real estate transactions.
- b. Professional fees including legal, permitting, architectural, engineering, environmental studies, appraisal, and loan/grant application packaging.
- c. Salary, provided that the staff time funded by the award is used exclusively for the project being developed.
- d. Funds cannot be used for real property acquisition.
- e. Other uses as pre-approved by the Board and staff.